



2019 Integrated  
Annual Report

With our years of expertise  
and success,

***we are ready***  
***for the next 70 years***



To access the PDF copy of the TSKB 2019 Integrated Annual Report, scan the QR code in your browser.  
[www.tskb.com](http://www.tskb.com)

## NAVIGATION ICONS

The navigation symbols below are used within the report to depict the links between Bank's strategy, capitals and key performance indicators.

- Information Box
- Audited non-financial information
- Information from other reports or releases
- Information that can be accessed via Internet

TSKB solidifies its impact via active participation in the efforts of global initiatives and stock exchange indices.



## GENERAL ASSEMBLY MEETING AGENDA

### ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 26.03.2020

- 1- Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly.
- 2- Review and discussion of the Annual Reports of the Board of Directors and Independent Auditor Reports regarding the accounts and transactions of the Bank within the year of 2019.
- 3- Review, discussion and approval of the balance sheet and profit and loss statements of the Bank for the year of 2019.
- 4- Approval of the appointment of the members of the Board of Directors substituting the members leaving their post until the date of the General Assembly.
- 5- Release of the Members of the Board of Directors.
- 6- Approval of the Board Resolution regarding the determination and allocation of the profit generated in 2019.
- 7- Determination of allowance for the Members of the Board of Directors.
- 8- Election of the Independent Audit Firm
- 9- Presentation of the information regarding the donations made within the year and determination of the upper limit for donations to be made within the year 2020.
- 10- Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code.
- 11- Presenting information regarding the transactions within the scope of Article 1.3.6. of the Corporate Governance Principles of the Capital Markets Board.

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Environmental Impact



Value Created for Sustainable and Inclusive Development



Investment in Human Resources



Stakeholder Dialogue



Contribution to UN Sustainable Development Goals (SDGs)



## ABOUT THE REPORT

### QUALIFICATION, PERIOD AND SCOPE OF THE REPORT

TSKB shares its 2019 performance with Integrated Annual Report including its January 1 – December 31, 2019 Annual Report of the Board of Directors. The report is issued on a bank-only basis and excludes the operations of TSKB subsidiaries. The Bank does not deliver any operations abroad. The report only reflects the operations in Turkey.

### CAPITAL CLASSIFICATION APPROACH

TSKB reviews, analyses and reports the update outputs of its operations, its plans and targets to its stakeholders based on the capitals classification proposed by International Integrated Reporting Council (IIRC) with an integrated point of view.

### CONTENT OF THE REPORT

TSKB's oriented contribution to the inclusive and sustainable development is reviewed with its economic, social and environmental dimensions and analyzed in different parts of the report.

### PUBLICATION FORMAT OF THE REPORT

Accessibility of the report by all of the stakeholders is essential and indispensable for TSKB. Therefore, the report is produced with an environment-friendly approach and shared on-line. The report can be accessed through Public Disclosure Platform and [www.tskb.com](http://www.tskb.com).

### LEGISLATION AND COMPLIANCE TO THE REGULATORY FRAMEWORK

This report is prepared in compliance with the International Integrated Reporting Framework recommended by IIRC and Core Option of GRI Reporting Guidelines published by Global Reporting Initiative. Content of the report is compiled in accordance with the content determination methods described in GRI standards, mainly with materiality analysis.

Performance disclosures are presented mainly in the context of "GRI Standards" indicators, while progress reporting principles of United Nations Global Compact which TSKB committed in 2010 are taken into consideration.

2019 Integrated Annual Report of TSKB, which is listed on Borsa Istanbul, is in compliance with the minimum annual reporting requirements of Banking Regulation Surveillance Association (BRSA) and Capital Markets Board (CMB) legal frameworks.

### AUDIT

TSKB 2019 Integrated Annual Report and independent audit reports were subject to assurance audit by Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young, EY). It was also subject to limited assurance audit by PwC in terms of non-financial information. Furthermore, TSKB takes audit from BSI under ISO14001 certification for a Sustainable Management System and under ISO 14064 certification regarding the calculation and verification of greenhouse gas emissions from operations.



## TSKB AT A GLANCE

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Turkey's first private development and investment bank, TSKB, will be 70 years old in 2020



Strong contribution to Turkish Economy via Corporate Banking, Investment Banking and Advisory business lines



Pioneer of sustainability and inclusiveness



## CORPORATE PROFILE

TSKB, celebrating its 70<sup>th</sup> year in the Turkish banking sector in 2020, was established in Istanbul in 1950 as Turkey's first private development and investment bank with the initiation of the World Bank and the Central Bank of Turkey, and with the share ownership of commercial banks.

TSKB's headquarters is located in Istanbul, operating with 322 people as of the end of 2019. The Bank has a non-operational branch in Ankara.

Since its establishment, the Bank has been providing an increasing contribution to promoting sustainable growth, development and the transformation of the manufacturing economy in Turkey with its extensive knowledge through its corporate banking, investment banking and advisory services capacities which it offers to a wide range of customers.

TSKB, which does not collect deposits due to its status of being a development and investment bank, obtains qualified and themed global funds within the scope of its long-standing partnerships that it has developed with supranational finance institutions, development finance institutions (DFI) and international finance institutions. The Bank also creates additional resources with the borrowing instruments it issues in the international debt capital markets. TSKB channels these funds to the investments projects and for the working capital needs of the corporates to maintain the sustainable development in Turkey.

TSKB provides medium to long-term financing products tailored to sustainable investment projects in different sectors with a wide range of options, particularly corporate loans and project financing. The Bank also increases its sphere of influence by offering loans to SMEs, exporters and to the refugee impacted regions to support workforce imbalances, through financial leasing and factoring companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking).

Distinguishing itself in the finance sector with its unique banking model which provides solutions to tackle with the threat of climate change and supports the transition to a low-carbon economy as well as extending sustainability-themed loans, TSKB's support for investments such as renewable energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. TSKB also stands out with its commitment to measure the environmental and social risks of all investment projects regardless of the amount. Having undersigned many of the leading good practices in the fields of sustainability and inclusiveness in the Turkish finance sector for the last 20 years, TSKB has been the bank which issued the first green bond in Turkey and its surrounding region.

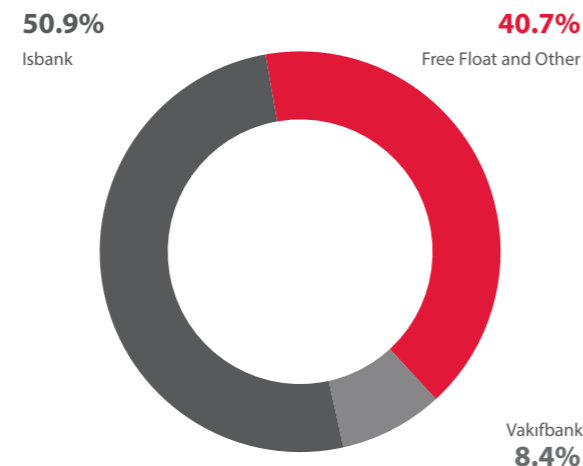
### TSKB'S SUBSIDIARIES

Yatırım Finansman Securities  
TSKB Real Estate Appraisal  
TSKB Real Estate Investment Trust  
TSKB Sustainability Consultancy (Escarus)

As Turkey's first and largest investment bank, TSKB has also played a significant role for the development of the capital markets with its operations in this area starting long before the establishment of the CMB and BIST. TSKB guides companies on their growth journeys with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition advisory, and it offers an investment banking experience to its customers at international standards. With its 70 years of knowledge and expertise, TSKB aims to enhance the added value it offers to the business world and all actors of development by restructuring the sector-specific advisory services it provides to the real sector and public institutions. Given its qualified advisory teams consisting of financial advisors, engineers and economists; the Bank provides effective solutions in the fields of development, transformation and sustainability to the companies operating in Turkey's locomotive sectors.

TSKB, which works in synergy with its subsidiaries operating in the fields of real estate, capital markets and sustainability, carries forward the expertise it offers to the country's sustainable economic development.

### TSKB'S SHAREHOLDING STRUCTURE (%)



TSKB stock is traded on BIST Stars under the ticker "TSKB" with a free float ratio of 38.6%. TSKB's registered capital ceiling is TL 4,500 million whereas its paid-in capital is TL 2,800 million as of 2019 year-end. The shareholdings of the Bank's Board Members, Auditors, Chief Executive Officer and Executive Vice Presidents are negligible.

GRI 102-5, 102-7

## VISION, MISSION, VALUES

### OUR MISSION

Is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration initiatives we maintain.

### OUR VISION

Is to be the business partner that stakeholders consult and prefer as the first choice towards the economic, environmental and social development of Turkey.

### OUR VALUES

#### PIONEERING

- We create long-term value for customers, society and the future of our country through a visionary perspective and innovative services.
- We keep a close eye on international banking practices and lead our sector as a pioneer with our initiatives.

#### HUMAN-FOCUSED

- With a human-oriented approach for a qualified economic growth, we contribute to employment, equal opportunities and social development through inclusive banking solutions.
- We make business decisions together based on reasonable common-mind.
- We value team success over individual success.
- We work in harmony both within the Bank and with the organizations we cooperate.
- We never discriminate among our employees.
- We protect the rights of employees and ensure they always have equal opportunities.
- We contribute to employees' professional and personal development and encourage them to take the initiative.

#### SOLUTION-ORIENTED

- We provide flexible, fast and efficient solutions in order to optimally meet our clients' expectations and needs.
- We are prudent about the quality of the work we do and resolute in fulfilling commitments.
- Knowing that we are the leaders in our job, we take responsibility to act timely and swiftly at each stage without a need for any prior guidance.

#### RELIABLE&RESPECTFUL

- We build trustful and respectful relations with all our stakeholders.
- We never compromise on a fair, accountable, transparent and ethical banking approach, and the contemporary rules of corporate governance.
- We create value for sustainable development through an environment-friendly banking approach, and take responsibility to leave future generations a world to live in.

# CAPITALS/VALUE CREATION MODEL

## MISSION

TSKB, operating in a dynamic environment which entails diverse external factors, creates permanent value for Turkey and its stakeholders.



MACROECONOMIC DEVELOPMENTS



SECTORAL DEVELOPMENTS

## VISION



AUTHORITIES' REGULATIONS AND REGULATORY CHANGES



OTHER FACTORS

OUR CAPITALS...

ARE PROCESSED WITH "INFORMATION BANKING"...

AND TRANSFORMED INTO VALUE TO SHARE WITH OUR STAKEHOLDERS.

### INPUTS

#### FINANCIAL CAPITAL

Diversity of funds and sound liquidity  
Provision of medium- and long-term funds  
Access to state-guaranteed funds  
Robust capital  
Sustainable financials

#### HUMAN CAPITAL

Investing in employees  
Equal opportunities  
Social benefits  
Employee clubs

#### NATURAL CAPITAL

Evaluating environmental and social impact in lending processes  
Well integrated sustainability approach  
Zero carbon banking  
Sustainability focus in lending

#### INTELLECTUAL CAPITAL

Multi-disciplined evaluation and analysis capacity  
Sectoral expertise  
Ability to develop themes and products in line with client needs  
Accumulation of know-how enabling tailor-made advisory services  
Strong subsidiaries with diverse sectoral expertise

#### SOCIAL CAPITAL

Inclusiveness approach integrated into the Bank's mission  
Well-rooted and effective communication with stakeholders  
Social responsibility projects  
Sharing experience in various platforms  
Support to ventures and innovation



Technical, Financial and Sectoral Experience

Strong Capability in Environmental and Social Evaluation

Sound Portfolio Structure

High-Calibre Human Resources and Expertise

Effective Risk Management

Value Creation in Synergy with Subsidiaries

Strategic Approach

Capability of Effective Capital Allocation

### OUTCOMES

#### FINANCIAL CAPITAL

Investment and APEX loans: 78% of the loan book  
17.8% CAR  
16.1% ROTE  
4.2% NIM

#### HUMAN CAPITAL

Management staff: female 49%, male 51%  
Total Staff: female 54%, male 46%  
Participation rate for satisfaction survey: 87%  
Turnover ratio\*: 2%  
Average training hours per employee: 39

#### NATURAL CAPITAL

Neutralizing annual carbon footprint of 14.4 million tons  
Share of sustainability-themed loans: 74%  
100% renewable energy usage&zero carbon banking  
BIST Sustainability Index constituent

#### INTELLECTUAL CAPITAL

479 TSKB Economic Research publications  
61 advisory projects  
Synergetic collaboration with subsidiaries  
Innovative funding products and new themes  
Sustainability reporting

#### SOCIAL CAPITAL

Active participation to working groups of international platforms  
Increasing support to women employment  
The Women Stars of Tomorrow, educational support fund  
875 additional employment via last 3 years APEX loans  
Raising awareness via #Equal Steps, digital platform

### SUSTAINABLE AND INCLUSIVE DEVELOPMENT

**78%**  
Share of investment and APEX loans

**54%**  
Ratio of female employees

**74%**  
Share of sustainability themed loans

**479**  
TSKB Economic Research publications

**1.450**  
Additional women employment



\*Turnover ratio among high performance employees

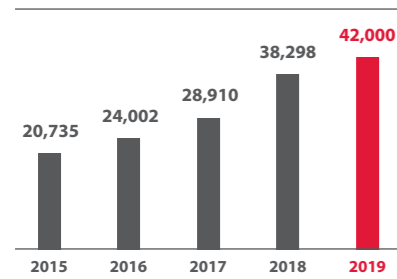
## KEY PERFORMANCE INDICATORS AND RATIOS

KEY INDICATORS (TL million)	2015	2016	2017	2018	2019
Total Assets	20,735	24,002	28,910	38,298	42,000
Loan Portfolio (Gross)	13,735	17,371	22,344	27,935	31,424
Shareholders' Equity	2,489	2,928	3,535	4,719	5,667
Net Profit	407	476	596	661	702

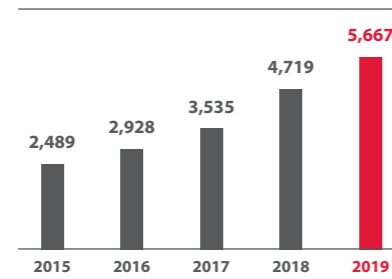
FINANCIAL RATIOS (%)	2015	2016	2017	2018	2019
Return on Tangible Equity*	17.4	17.5	18.8	17.8	16.1
Return on Assets	2.2	2.1	2.3	2.0	1.8
Capital Adequacy Ratio	14.9	14.3	17.1	16.2	17.8

\*Tangible Equity(TE) = Shareholders' equity – MtM valuations of FVOCI portfolio

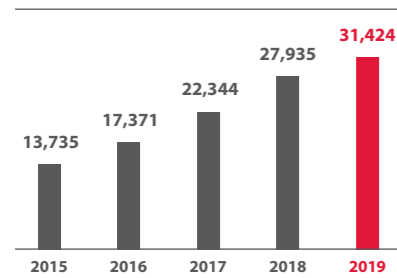
### TOTAL ASSETS (TL million)



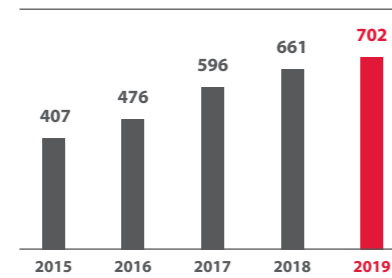
### SHAREHOLDERS' EQUITY (TL million)



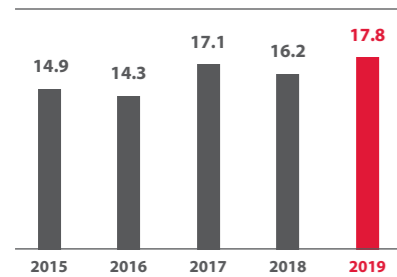
### LOAN PORTFOLIO (TL million)



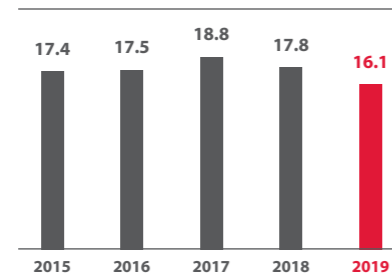
### NET PROFIT (TL million)



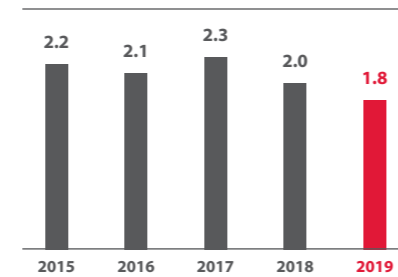
### CAPITAL ADEQUACY RATIO (%)



### RETURN ON TANGIBLE EQUITY (%)



### RETURN ON ASSETS (%)



## TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

### CORPORATE BANKING

#### LOAN PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT OF TURKISH ECONOMY

##### Corporate Loans

- Industrial investments
- Energy and resource efficiency
- Environmental investments
- Renewable energy
- Sustainability Investments
- Women's employment
- Occupational health and safety
- Health Sector Investments
- Education Investments
- SME Finance via Wholesale Banking (Apex Loans)
  - SME Finance
  - Export Finance
- Working Capital Finance

##### Project Finance

- Energy Generation and Distribution
- Logistics
- Transportation/Infrastructure
- Public-Private Partnership Projects
- Mergers&acquisitions
- Syndication loans

##### Other Loan Products

- Financial leasing
- ECA loans
- Trade finance loans

### INVESTMENT BANKING

#### PRODUCTS AND SERVICES THAT CREATE TAILOR-MADE VALUE FOR ITS CLIENTS

##### Corporate Finance

- Advisory and intermediary services for equity IPOs
- Intermediary services for bond issues
- Mergers&Acquisitions advisory

##### Money and Capital Markets

##### Advisory Services

- International sale transactions
- Block sale transactions
- Valuation advisory
- Liquidity provision
- Capital Markets Advisory
- Market making services
- Market advisory services

##### Derivatives

- Forwards
- Options
- SWAP Operations
- Caps&Floors
- Swaptions

### ADVISORY SERVICES

#### PRODUCTS AND SERVICES DRIVEN BY "INFORMATION-BASED BANKING"

##### Economic Research

- Macroeconomic Advisory
- Export Strategy and Complexity Atlas
- Sectoral Panorama
- ESG Advisory
- Training Services

##### Financial Advisory Services

- Financial Analysis Services
- Financial Planning and Strategy
- Restructuring Services
- M&A Support Services
- Training Services

##### Engineering and Technical Advisory Services

- Technical Analysis and Due Diligence
- Project Management Advisory
- Operational Excellence
- Environment, Climate, Sustainability
- Energy and Efficiency Advisory

## MILESTONES FROM 1950 TO 2019

### 1950's

Founded with the mission of supporting the development of Turkey's private sector, TSKB has achieved several significant breakthroughs in development and investment banking. These include securing medium- and long-term loans, providing technical support to project sponsors, and conducting preliminary studies for the formation of the capital market in Turkey. During the same period, TSKB was the only bank capable of supplying foreign currency loans needed to finance imports. It was also the only organization handling cash sales of foreign currencies released under the Marshall Plan.

### 1960's

TSKB introduced many innovative practices throughout the 1960s. The Bank issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings.

Moreover, TSKB became the first Turkish company to be audited by an internationally recognized independent auditing firm, thus spearheading an approach to transparency and accountability in capital markets. TSKB provided investment financing for Turkey's leading manufacturing facilities as well as financial support for the local manufacture of numerous products. These included the first Turkish-made buses and automobiles, automotive tires, LPG canisters, high-voltage cables, batteries, cardboard, plastics and acrylic fibers.

### 1970's

In this decade, TSKB began to focus on private sector investments in Turkey's developing regions. The Bank took an important step to diversify its funding resources and obtained the first medium-term syndicated loan from the European market. The Bank also carried out the first issuance of its own long-term bonds during this period. Additionally, TSKB began to provide comprehensive research services for the manufacturing and services sectors.

### 1980's

TSKB continued to provide funding to the private sector, though in a more rapid and effective manner. During this period, TSKB embarked on highly important ventures in international relations. For example, it successfully issued a series of "Samurai bonds" in the Japanese capital markets, further bolstering its brand reputation

in international markets. Establishing close relationships with European and Japanese financial institutions, TSKB significantly increased its funding resources. TSKB also played an active role in the preparation of Turkey's Privatization Master Plan and served as an advisor for the privatization of the state-owned cement plants.

### 1990's

TSKB further expanded its investment banking business while continuing to develop and diversify its cooperation relationships with international banks. TSKB signed long-term foreign currency and interest rate swap agreements with international financial institutions. It also provided consulting services to the European Bank for Reconstruction and Development (EBRD) in Uzbekistan. In addition, the 1990s was a period of successful initial public offerings for TSKB. Leading the establishment of over-the-counter bond and securities markets, the Bank became even more effective after the Istanbul Stock Exchange was established, further solidified its leadership position in capital markets.

### 2000's

TSKB continued working to develop and diversify its international funding resources. During this period, the Bank successfully tapped into international syndication and murabaha markets for the first time. TSKB also began to provide an increasing volume of resources to SMEs through indirect funding in collaboration with commercial banks and leasing companies as part of "APEX Banking" operations. As the concept of sustainability gained prominence globally, TSKB started to design its business processes with a sustainable approach. TSKB became the first Turkish bank to receive ISO 14001 Environmental Management System certification; it also started to offer environment themed loans. During this decade, the Bank laid the groundwork for its social responsibility projects that aimed to raise public awareness about environmental sustainability.

For three years in a row, TSKB won first prize for the Eastern Europe Region at the "Sustainable Banking Awards" program, organized jointly by the Financial Times (FT) and the International Finance Corporation (IFC). In addition, TSKB became Turkey's first carbon-neutral bank. TSKB closely followed and monitored sustainability efforts across the globe. Consequently, it became a member of the United Nations Environment Program Finance Initiative (UNEP FI) and publicly announced its commitment to the UN Global Compact.

### 2010's

TSKB began to focus on renewable energy and energy efficiency projects in the 2010s, and has played an instrumental role in combatting climate change and meeting Turkey's ever-increasing demand for energy.

After the 2008 global financial crisis, interest rates fell sharply across the world, creating a need for new banking products and services. Thanks to its vast experience in this area, TSKB began to provide clients an array of new, competitive investment instruments, such as capital-protected and guaranteed products. Meanwhile, the Bank continued to add value for its stakeholders by taking on key roles in Turkey's electricity distribution privatizations, asset purchase&sale financing, acquisition financing, bond issues, and public offerings. During this time, TSKB introduced new types of loans under the themes of sustainable tourism and resource efficiency. The Bank continued its operations for resource diversification via Eurobond issues.

Undertaking ongoing initiatives and improvements to ensure full compliance with all applicable international laws and regulations, TSKB is one of three companies to have received awards from the Corporate Governance Association of Turkey (TKYD) every year since 2011 under the Corporate Governance Awards. To date, TSKB has won three first place, two second place, and one third place prizes.

Along with its membership at Long-Term Investors Club (LTIC), TSKB took its place in European Long-Term Investors Association (ELTI). In 2011, TSKB has been one of the funding members of International Development Finance Club (IDFC) as the only member from Turkey, where in 2019 it has become a steering committee member. In 2015, the Bank signed the Climate Change Summit (COP21) declaration of ELTI and IDFC for transition to low-carbon economy.

TSKB was included in the BIST Sustainability Index, which is composed of companies listed on Borsa Istanbul and perform well in terms of sustainability. TSKB shares were included in the FTSE4Good Emerging Markets Index by December 2016.

Reinforcing its leading position in sustainability, TSKB becomes the first Turkish bank to issue a "Green/Sustainable Bond" on international markets in 2016. Encouraged by the interest shown in this issuance, TSKB breaks a new global ground and issues a Subordinated Sustainable Bond.

Having published the first GRI-approved Sustainability Report in the banking sector, TSKB transposes its trailblazing approach in sustainability to reporting and publishes the first Integrated Report in the private sector in 2017.

Based on its experience in sustainable development, TSKB engages in a key project in 2017 and cooperates with Escarus, a TSKB subsidiary, to coordinate the Turkish Ministry of Development project called "Due Diligence for Turkey Under the UN Sustainable Development Goals".

In 2016, TSKB takes a major step in social inclusion obtaining a special resource to finance investments on occupational health and safety in Turkey in addition to the investments by firms that observe gender equality in working environment and support women's employment.

Opening a new chapter on women's employment within its social responsibility projects for sustainability which it has implemented since early 2000s, TSKB takes key steps to empower the women employees of tomorrow in terms of education and equal opportunities.

In 2018, TSKB secures the largest fund ever in its history. The loan agreement worth USD 400 million signed with the International Bank for Reconstruction and Development (IBRD), a World Bank Group institution, under the Inclusive Access to Finance Project accelerates TSKB's efforts on inclusive finance, a new item added to the Bank's mission.

In 2018, TSKB breaks another new ground. The Bank becomes the first financial institution to secure funds from the Asian Infrastructure Investment Bank (AIIB) for lending to private sector companies. This fund will be used to extend more loans to renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunications investments by the private sector throughout Turkey. TSKB obtains the first loan to be provided to Turkey by the China Development Bank under the guarantee of the Ministry of Treasury and Finance. TSKB restructures Advisory and Investment Banking service models, while successfully continues its social responsibility projects in the fields of inclusiveness and equality in opportunity.

The Bank defines its consultancy solutions as "products of collective wisdom" to offer the business world as well as investors an increasing range of value-added services. TSKB successfully completes 63 consultancy projects in more than 20 sectors in 2018.

In 2019 TSKB becomes one of the Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI).

## FIRSTS&INNOVATIONS

### 1950's

- Provide technical advisory services to project sponsors
- Provide medium- and long-term finance to private sector projects

### 1960's

- Underwrite and guarantee corporate bond issues
- Offer its mature bonds from its investment portfolio to public
- Issue its own long-term bonds
- Have its records audited by an independent audit company

### 1970's

- Promote private investment incentive in under-developed regions
- Mobilize funds through medium-term syndicated loans from European markets
- Undertake major sector research services for manufacturing and service sectors

### 1980's

- Issue its own bonds in international capital markets
- Conduct manufacturer surveys among various sectors
- Provide export insurance loans from European and Japanese financial institutions
- Offer advisory services in textile and other sectors in cooperation with international advisors
- Offer advisory services for the privatization of public cement factories
- Issue its short-term bonds as well as guarantee and market those of its clients
- Prepare Turkey's first privatization master plan
- Realize the first public offering as an underwriter
- Intermediary in the investment of Islamic Development Bank funds in companies as shareholders

### 1990's

- Sign long-term foreign currency and interest swap agreements with international banks
- Provide floating-rate medium-term Turkish Lira loans to the banking sector
- Provide consulting services for ERBD in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertake a voluntary "Risk Management Review" supported by World Bank

### 2000's

- Extend a credit line specifically for a "sustainable environment"
- First bank to establish a real estate appraisal company approved by Capital Markets Board of Turkey
- Provide secretariat services to the Istanbul Approach
- Develop a risk-based loan pricing model
- First Turkish bank to receive a loan from the French Development Agency
- First and only Turkish bank to become a shareholder of European Investment Fund (EIF)
- First Turkish bank having ISO14001 Certificate
- First Turkish bank to calculate and offset its carbon footprint
- First and only Turkish bank which was awarded "Sustainable Bank of the Year of Eastern Europe Region" in 3 consecutive years between 2008-2010 in the event organized by Financial Times and International Finance Corporation
- First web portal designed under environment and sustainability themes

### 2010's

- UNEP FI and Global Compact membership
- First and only Turkish bank to be granted a membership in Long-Term Investors' Club (LTIC)
- First and only Turkish supervisor member in in European Long-Term Investors Association (ELTI)
- Issue 16 thematic mutual funds between 2009 and 2012
- Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey
- First Turkish Bank to be qualified for ISO14064-1 Greenhouse Gas Verification Certificate
- Restricted mudaraba loan facility with Islamic Development Bank to finance renewable energy and energy efficiency projects
- Become the founder member of International Development Finance Club (IDFC)
- First loan agreement with KfW without any government guarantee
- The first A+ level Sustainability Report approved by GRI (Global Reporting Initiative) in the sector
- The "first carbon-neutral concert" within the scope of the İKSV Istanbul Music Festival
- Support for IDFC (International Development Finance Club)'s climate pledge
- Assistance for ELTI (European Long-Term Investors Association)'s transition to low carbon economy pledge
- Establishment of TSKB Sustainability Committee
- Offsetting individual carbon footprints of corporate stakeholders
- First green/sustainable bond of Turkey
- The world's first "Subordinated Sustainable Bond"
- The first Integrated Report in Turkish private sector
- Scholarship fund "Empower Through Education" for women employees of future
- Music education support project "Woman Stars of Tomorrow"
- First financial institution securing loan facility from Asian Infrastructure Investment Bank (AIIB) targeting private sector investments
- "Equal Steps", equal opportunity digital platform that emphasizes the importance of equality between women and men in business life
- Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI)
- First loan to be provided to Turkey by the China Development Bank under the guarantee of the Ministry of Treasury and Finance
- 10<sup>th</sup> member of the Steering Committee of the IDFC

## AWARDS&ACHIEVEMENTS

### BANKING AWARDS

Investing&Financing Category Finalist (2019) <b>Finance for the Future</b>
Energy Finance Deal of the Year (2019) <b>Bonds&amp;Loans Türkiye</b>
M&A/Acquisition Finance - Second place (2019) <b>Bonds&amp;Loans Türkiye</b>
Structured Loan Deal - Third place (2019) <b>Bonds&amp;Loans Türkiye</b>
Low Carbon Hero of the Year (2019) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Project Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
M&A/Acquisition Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Structured Loan Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Natural Resources Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Syndicated Loan Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Bond Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Best Syndicated Loan in Central and Eastern Europe Tredaş (2017) <b>EMEA Finance</b>
Best Syndicated Loan in Central and Eastern Europe Aksa Natural Gas Distribution and Kazancı Holding (2017) <b>EMEA Finance</b>
Best Infrastructure Deal Galataport (2017) <b>EMEA Finance</b>
Best Privatization Deal in the Middle East and Africa Galataport (2017) <b>EMEA Finance</b>

### CORPORATE GOVERNANCE AWARDS

Women Empowered Boards Special Award (2018) <b>Sabancı University Corporate Governance Forum</b>
Company with the Second Highest Corporate Governance Rating Score (2015) <b>Turkey Corporate Governance Association (TKYD)</b>
Highest Score in Multi-Stakeholder Approach For Transparency in Corporate Reporting (2015) <b>Transparency International Turkey</b>
Company with the Highest Corporate Governance Rating Score (2011, 2013, 2014) <b>Turkey Corporate Governance Association (TKYD)</b>
Honor Award for Best Annual Report - Print Category (2011) <b>Stevie Business Awards</b>

Syndicated Loan Deal of the Year (2017) <b>Bonds&amp;Loans Türkiye</b>
Transport Finance Deal of the Year (Runner-Up) (2017) <b>Bonds&amp;Loans Türkiye</b>
Best Infrastructure Project Kızıldere 3 Geothermal (2016) <b>EMEA Finance</b>
Best National Resource Project Finance Yeniköy Kemerköy (2015) <b>Bonds, Loans&amp;Sukuk Turkey</b>
Best-Structured Finance Project/Etlük PPP (2015) <b>Bonds, Loans&amp;Sukuk Turkey</b>
Best Energy Infrastructure Deal in Europe (2011) <b>Euromoney</b>
Best Hydroelectric Project in Europe (2011) <b>Euromoney</b>
Best Equity House (2011) <b>EMEA Finance</b>
Best Clean Technology and New Energy Investor (2011) <b>The New Economy Dergisi</b>
En İyi Aracılık Ödülü (2011) <b>EMEA Finance</b>
Temiz Teknoloji ve Yeni Enerji Alanında En İyi Yatırımcı (2011) <b>The New Economy Dergisi</b>

### SUSTAINABILITY AWARDS

Best Green Bond in Central and Eastern Europe (2017) <b>EMEA Finance</b>
Structured Finance Deal of the Year (Winner) (2017) <b>Bonds&amp;Loans Türkiye</b>
International Bond Deal of the Year (2017) <b>Bonds&amp;Loans Türkiye</b>
Sustainable Bond Issuance of the Year (2016) <b>IFR</b>
Green/Sustainable Bond Issuance of the Year (2016) <b>Global Capital</b>
Low Carbon Hero (2016) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Low Carbon Hero (2015) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Climate Disclosure Leadership (2015) <b>CDP</b>
Climate Change Leadership (2013) <b>CDP Türkiye</b>
One of the Top Three Banks in Sustainable Banking in Europe (2011, 2013) <b>FT&amp;IFC</b>
Bronze Award -Sustainability Report Category (2012) <b>Astrid Awards</b>
Supporter of Sustainable Eco-Friendly Products and Practices (2010) <b>Istanbul Chamber of Industry (ISO)</b>
Sustainable Bank of the Year in Eastern Europe (2008, 2009, 2010) <b>FT&amp;IFC</b>



## CHAIRMAN'S MESSAGE



“ TSKB, which will proudly celebrate its 70<sup>th</sup> anniversary this year, delivered a successful performance in 2019.

Esteemed Stakeholders,

### A YEAR SHAPED BY GLOBAL TRADE AND GEOPOLITICAL DEVELOPMENTS

The rise of protectionist policies in global trade and geopolitical developments were among the issues shaping the global economic outlook of 2019. In addition to these factors; weak demand conditions, subdued commodity prices and relatively low inflation patterns paved the way for expansionary monetary policies by leading central banks around the world. While the Fed lowered its policy rate on three occasions, the ECB not only cut its interest rates but also resumed asset purchases in 2019. Simultaneously, the central banks of many developing countries also took decisions to lower interest rates.

Global liquidity conditions, which are expected to remain abundant for longer in light of expansionary monetary policies, continue to support capital flows to developing countries, where economic indicators have remained relatively stagnant recently.

The Stage 1 Trade Agreement between the U.S. and China, signed at the beginning of 2020, is expected to help ease the pressure driven by the protectionist policies on the global economy.

### TURKISH ECONOMY RETURNS TO GROWTH IN THE SECOND HALF OF 2019

Having lost momentum after August 2018, the Turkish economy has entered in to a growth path again starting from the third quarter of 2019.

Throughout the year, the financial markets were rebalanced by policies and effective regulations implemented with a proactive approach by the regulatory authorities. Simultaneously, it was also observed that all economic actors took synchronous and collaborative steps to eliminate the effects of the fluctuations of 2018. Strengthening the financial stability, these steps ensured the successful completion of rebalancing process, also becoming a significant factor in the re-entering the growth pattern of the Turkish economy.

### A YEAR OF REASSURANCE FOR THE TURKISH BANKING SECTOR

The banking sector has rapidly adapted to the BRSA's guiding regulations, taking steps to eliminate uncertainties regarding non-performing loans. These steps were important in terms of strengthening the confidence of both the domestic and international investors.

While the majority of the loans under close classification was restructured, there has been an increase in the predictability of the sector. As the Turkish economy converges with its growth potential in 2020, I believe the banking sector will enter a healthy growth process.

### TSKB, WHICH WILL CELEBRATE ITS 70<sup>TH</sup> YEAR, IS PREPARED FOR THE FUTURE.

TSKB, which will proudly celebrate its 70<sup>th</sup> anniversary this year, delivered a successful performance in 2019. The Bank also significantly increased its total efficiency on the back of the restructuring efforts it has recently implemented, preparing itself even more innovatively for the future in each respective business line.

With its 70 years of experience and know-how in the field of development and investment banking, a competent human resource structure, the advantages of its scale and the approach to service which it has built on the basis of "Information Banking", TSKB will continue provide a strong contribution to the sustainable growth of Turkey's economy in the corporate banking, investment banking and advisory services business lines, will improve shareholder value and, finally, will create value for its stakeholders.

### SUSTAINABILITY REMAINS AN UNWAVERING BENCHMARK FOR US

TSKB, which is Turkey's first private development and investment bank, has become a pioneering institution not just for sustainability but also the inclusiveness in the country underpinned by its systematic studies, ground breaking moves and success over the last 25 years in the field of sustainability. As an active participant of international initiatives, the Bank is in the process of moving its impact and contribution to a global scale.

With sustainability themed loans accounting for 74% of the total loan portfolio, TSKB will continue to be the pioneer and guide of sustainability and inclusiveness.

### THE TURKISH ECONOMY WILL STRENGTHEN FURTHER AS ECONOMIC ACTORS ADOPT SUSTAINABILITY

During times of economic volatility, companies' competence and resilience are often tested. The recent periods, marked by fragile geopolitical environment and economic volatility, have once again demonstrated the importance and indispensability of sustainability in all of its aspects.

Through transformation, companies need to exert a strong presence and improve their resiliencies in many fields from financial planning to corporate governance. As long as this transformation takes place, the sustainable development of the Turkish economy and the contribution to social welfare will improve further, in

addition to enhancing Turkey's competitive edge in the international arena.

In the coming period, we believe the environmental and social interactions of sustainability will become more widespread and deeply felt within the dynamics of social and economic life. As the awareness for environmental, social and governance principles increases in the society, companies will feel more pressure from individuals to improve their sustainability practices and further maximize their sustainability efforts driven by their own ecosystems, as well as independent scorings, declarations and reporting requirements.

With the support of its financial structure shaped under a long term approach, and backed by its strong and trustworthy practices in lending activities, its clout in development banking and its investment and advisory banking services with a focus on "Knowledge-based Banking", TSKB will continue to bring companies closer to sustainability and contribute to their development.

### TO THE FUTURE WITH AN "INTEGRATED" PERSPECTIVE

In today's world, where sustainability has become one of the milestones of the new norms, TSKB is always ready to contribute and guide our country, our industry and our stakeholders, and to be a pioneer of development, by allocating all the capital assets it has in the most efficient and effective way. The experience we have built during our sustainability journey, our mission focused on "inclusiveness" in recent years, and the integrated perspective which we have adopted, provide us the necessary energy, while our competent teams allow us to manage our business with the right approach.

Believing in collaboration, value creation and sharing this value with society, TSKB will continue to fulfil its mission.

On behalf of myself and our Board of Directors, I would like to thank our team, who produced this distinguished performance in 2019.

Regards,

H. ERSİN ÖZİNCE  
Chairman

## CEO'S ASSESSMENT



“ TSKB allocated US\$ 1.4 billion of loans and non cash loans to Turkish economy in 2019.

Esteemed Stakeholders,

### WHILE THE SEARCH FOR DIRECTION IN THE GLOBAL ECONOMY CONTINUES, THE REBALANCING PROCESS IN TURKEY HAS BEEN COMPLETED.

The year 2019 was marked by continued fluctuations in the global financial markets, while the global macroeconomic outlook remained relatively weak.

In this conjuncture, accompanied by periodic increases in vulnerability driven by geopolitical risks, the Turkish economy successfully completed its rebalancing process. While the subdued domestic demand conditions and relatively stable course of TL reflected positively to the inflation figures, the rate of CPI inflation, which had risen to 20% during 2019, ended the year at 11.84%. On the other hand, the Central Bank of Turkey gradually lowered its policy rate from 24% to 12%, taking the market dynamics into account. Turkish economy returned to a path of growth by the third quarter of the year. We forecast that the Turkish economy will record growth of around 4%, with inflation on course to be around 10% in 2020.

The banking sector continued to support the real economy in 2019. The total lending volume of the sector surged by around 7% on fx adjusted basis. While the growth outlook of banking assets remained stagnant, the activities in the banking industry were mainly focused on maintaining its liquidity position and asset quality to support sustainable growth.

### TSKB CONTINUED TO OPERATE WITH ITS CAREFULLY CALIBRATED RISK ASSESSMENT APPROACH, LIQUIDITY POSITION AND STRONG CAPITAL FOCUS DURING THE EXCEPTIONAL CONDITIONS OF 2019.

With its corporate banking, investment banking and advisory services, TSKB continued to provide a multi-faceted contribution to Turkey's development and growth as well as enhancing the value it created to the economy throughout the year.

In 2019, the Bank's total contribution to Turkish economy was realized at US\$ 1.4 billion through cash and non-cash loans. Total cash loans reached TL 31.4 billion while TSKB's total asset size grew by 10% to TL 42 billion during the same period. In terms of profitability, TSKB performed in line with its 2019 targets, posting earnings before provisions and taxes of TL 1.3 billion in 2019 and net earnings of TL 702 million.

Supported by its profitability, shareholders' equity increased to TL 5.7 billion, implying a 20% increase. By the end of the year, the Bank's capital adequacy ratio stood at 17.8%, well above the level set by the regulatory authority.

### A YEAR WHERE THE LOAN RESTRUCTURING PROCESS LARGELY COMPLETED

2019 prompted the banking sector to review loan portfolios and increasingly embody its support to the macro-economy and real sector through restructuring.

Banks which have a fundamental role in the healthy functioning of the markets provided a lifeline of support to companies following the rebalancing, by fulfilling the requirements of their mission to support the real sector under all conditions.

In 2019, the banking sector largely completed the restructuring process of non-performing loans, and the measures taken by the BRSA within this context had a positive contribution on transparency. As of December 2019, TSKB's NPL ratio stood at 3.5% - significantly lower than the sector average of 5.3%.

### TSKB CONTINUED TO CREATE ADD-VALUE IN 2019 ON THE BASIS OF SUSTAINABLE AND INCLUSIVE DEVELOPMENT

In 2019, we continued our lending activities in line with our commitments and our strong risk assessment approach, which is unique to the Bank.

Throughout the year, our new loan allocations mainly focused on renewable energy, energy and resource efficiency investments, as well as projects where social themes are prominent such as women's empowerment and projects which support employment in underdeveloped regions affected by refugee inflow. In this context, another issue I want to stress is that we have continued our lending activities at the same pace even when the market followed a relatively stagnant course in the first half of 2019, maintaining our support, without interruption, for projects which we find feasible.

We anticipate that the revival in loan demand, which has been observed since the last quarter of 2019, will become more evident both on the corporate and the consumer side in 2020. Accordingly, we expect the sector's loan growth in 2020 to gain momentum compared to the previous year.

In 2020, TSKB will continue to support Turkish economy, the real sector and its stakeholders under any circumstances, with its qualified financing options, investment banking operations and wide-reaching advisory services, as it always has throughout its 70 year history.

### WITH SUSTAINABLE FINANCING HAVING A 74% SHARE OF ITS TOTAL LOAN PORTFOLIO, TSKB HAS DECOUPLED POSITIVELY WITHIN THE SECTOR.

Climate change is the number one issue threatening the future of humanity, according to all recently published risk studies. Global warming and the unstable weather events which we are frequently observing clearly indicate that climate change is happening at a great pace. However, the global business community and ourselves as individuals have been relatively slower to grasp the problem and increase our perception in taking action to tackle climate change. Governments, the science community and the academic world, supranational initiatives, non-governmental organizations and the business world have to come together quickly and take action to ensure the sustainability of a world where future generations can live.

Within the context of its institutional structure, scale, competencies and collaborations, TSKB is proud to be a bank which adopts sustainability from opinion to strategy and execution - in other words, from end to end, and reflects it into all elements of its unique business model.

Our sustainability journey, which was institutionalized in the early 2000s, has brought us to the strong position we are in today.

TSKB has succeeded in becoming a role model in its sector thanks to decoupling with its high performance in the field of sustainability. In this process, TSKB having long lasting relationship with DFIs has further developed active collaborations with many international initiatives and organizations, carrying its sustainable banking capacity and competencies to international standards.

Contributing to the United Nations Sustainable Development Goals (SDG) as part of its integrated development approach, in 2019 TSKB continued to increase its effectiveness in the International Development Finance Club (IDFC); of which it is a founding member and in which the world's leading development banks participate. TSKB joined the IDFC Management Committee as the 10<sup>th</sup> member. Compatibility with the Paris Climate Accord and the SDGs are among the IDFC's current priorities. TSKB will continue to be influential and increase its contribution in both fields, domestically and internationally.

## CEO'S ASSESSMENT

US\$ **500** million

TSKB secured USD 500 million of resources in 2019

Another major development of 2019 for TSKB was its participation in the UNEP FI Principles For Responsible Banking as a founder signatory. Designating the functions and responsibilities of the banking industry for building the sustainable future, these principles are aimed at ensuring the sector's compliance with the SDGs and the Paris Climate Change Accord.

Spending dedicated efforts on Turkey's sustainable development since its foundation, TSKB undertakes all of its activities within the framework of globally accepted sustainability principles. We fully believe that the UNEP FI Principles For Responsible Banking will strengthen our commitments in this field and bring a different dimension.

Approximately three quarters of our Bank's total loan portfolio consists of different sustainability and inclusive financing themed loans directed to areas such as renewable energy, energy and resource efficiency, environmental investments, women's employment, occupational health and safety, and supporting investments in the underdeveloped regions.

In TSKB's point of view, every project funded is a cornerstone that contributes to the national development and global sustainability, beyond being a mere banking transaction.

US\$ **400** million

TSKB issued sector's first Eurobond of 2020

Designating all of its goals and decisions with an integrated perspective on the focus of sustainability, the Bank contributes to the SDGs not only with its services offered in lending and advisory segments, but also through in-house sustainability implementations, supporting Turkey's transition to a low carbon economy.

### SUSTAINABLE COOPERATION WITH INTERNATIONAL FUNDING SOURCES

Having strong and traditional bonds with international finance institutions, TSKB secured USD 500 million of resources in 2019 mostly in the medium to long term within the context of resource development efforts.

Having signed a syndication loan agreement on June 10<sup>th</sup>, 2019 with the participation of 12 banks, TSKB secured USD 177 million in funding from international markets. The second major funding activity was realized with the China Development Bank (CDB). TSKB secured a USD 200 million loan from the CDB under the guarantee of The Ministry of Finance and Treasury. Having become the first guaranteed long term funding given from the CDB to Turkey, this loan will be used to support industrial production, SMEs, energy, infrastructure, health and education projects.

Another loan agreement was signed with the French Development Agency (AFD), with which TSKB is in long term cooperation within the framework of sustainability. USD 85 million of funding secured from the AFD will be utilised to finance investments undertaken by companies which support gender equality and female employment in the working environment.

TSKB signed a risk sharing agreement with the EBRD to provide EUR 100 million of funding to the private sector. This project is the EBRD's only risk sharing cooperation initiated in Turkey which envisages the two banks working together to allocate investment and working capital loans to companies operating in Turkey based on the equal sharing of risk.

### A SUCCESSFUL RETURN TO THE EUROBOND MARKET

As this report was in the process of preparation, TSKB successfully undersigned sector's first Eurobond issuance of 2020. This transaction which amounted to USD 400 million with 5 years maturity and fixed interest rate was ten times oversubscribed attracting demand from approximately 300 investors from different regions on a global scale, 45% of which are new investors. This development is a sign of trust in our value proposition.

We believe this strong demand also supports our anticipation that 2020 will be full of positive prospects for our country and the Turkish banking sector, as we once again thank all of our international stakeholders for their trust to TSKB and its story.

### TO THE FUTURE WITH MORE VIGOROUS STRUCTURE IN OUR 70<sup>TH</sup> YEAR...

2020 will have unique prominence for us, thanks to being TSKB's 70<sup>th</sup> year.

We have recently undertaken significant structuring, development and transformation projects in our organizational structure and business model, especially in the field of advisory. By interpreting the expertise and experience we have accumulated over 70 years from a new and vigorous point of view, we aim to offer an increasing number of services to the Turkish public and private sector for sustainable development.

In line with the responsibility defined in our founding mission, we have transformed the competencies we have gained in our country's development journey since 1950, taking the requirements of the time period into

account, and respond to the expectations of our rapidly expanding customer group to the highest level.

With our Corporate Banking, Investment Banking and Advisory Services segments, we are determined to contribute to the investment and development journeys of the business world with a more focused perspective and to increase our effectiveness in these areas.

As a development bank we will continue to expand our contribution to a producing economy with the social responsibility projects we undertake; to support the society we live in, the women, men, and young people who will carry us to the future, the air we breathe, our natural resources, our cultural riches, our artists and all of our values which we wish to sustain.

Our most vital asset in the journey we have successfully carried out for 70 years has always been our qualified human capital. In our view, investment in people means investing in success and the future. And, we are well aware that the competition can only be won by hosting the most competent human capital.

TSKB will continue to allocate its capital arrays in an efficient and effective way to maintain its sustainable contribution to Turkish economy, as well as to leave a liveable world heritage for future generations.

I would like to thank all the members of the large TSKB family which I sincerely believe will carry our bank forward to many more successful years, and our stakeholders with whom we have created value for our country, and I express my gratitude to our Board of Directors for their support and valuable strategic guidance.

Best regards,



**SUAT INCE**  
Board Member and CEO

## STRATEGY, PERFORMANCE AND EXPECTATIONS

### Strategic Plan

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### Capitals

- 38 Financial Capital
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- 70 Natural Capital
- 88 Intellectual Capital
- 98 Social Capital



Strong value creation capability in short, medium and long term periods



Deep rooted relationships with development finance institutions



Contribution to Turkey's transition to low carbon economy and combat with climate change



Strong synergy of affiliates elevating the value created



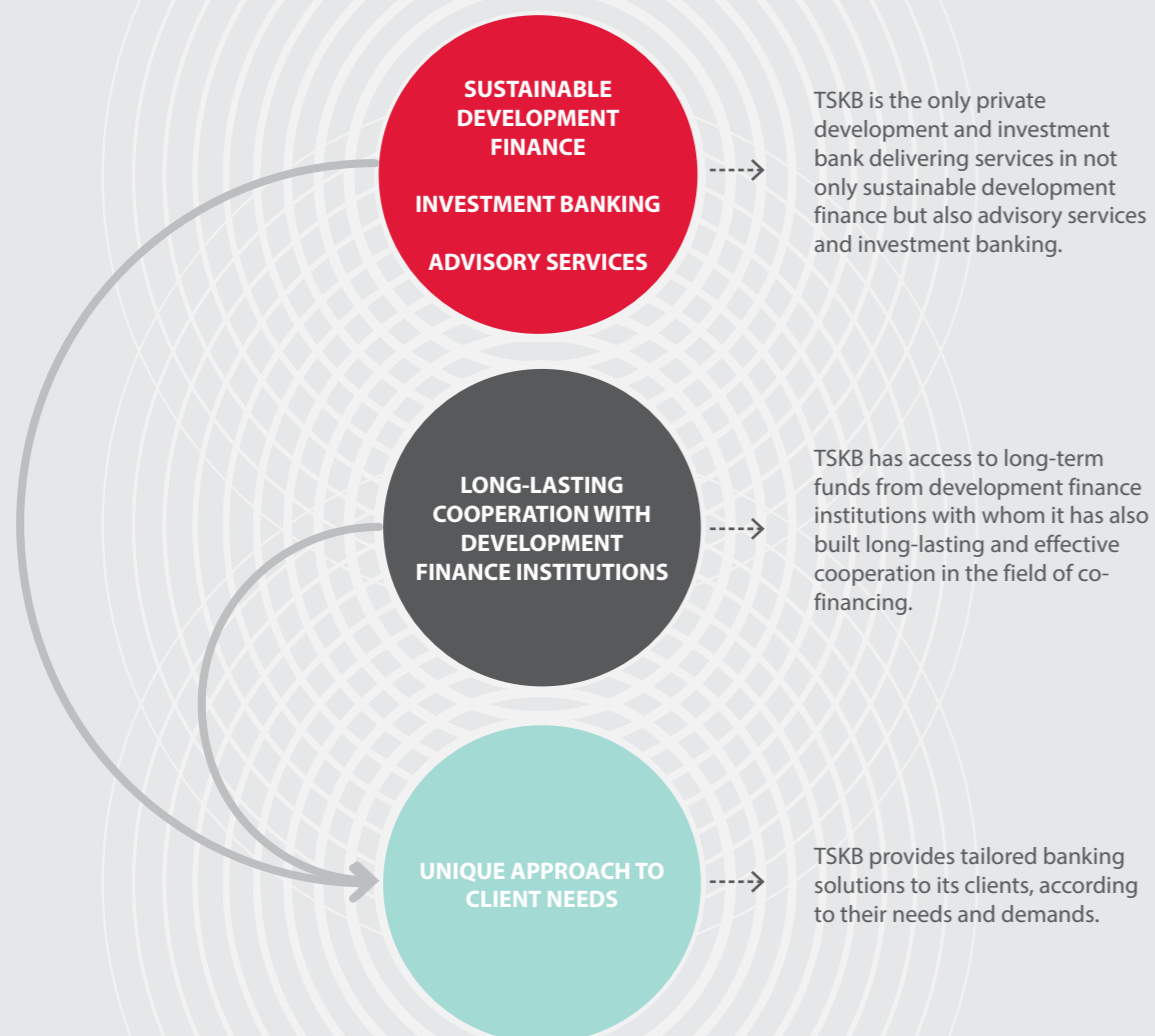
## STRATEGIC PLAN TSKB'S STRATEGY

### CREATING VALUE FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

TSKB is the only private development and investment bank in Turkey. TSKB offers corporate banking, investment banking and advisory services with high added value to become a preferred business partner, its stakeholders first consult for the economic, environmental and social development of Turkey.

### HOW TSKB DIFFERENTIATES ITSELF IN THE COMPETITION?

TSKB has three main elements that differentiates itself in the competition and considers these as drivers on its way to fulfilling its strategic goals.



TSKB takes stakeholder priorities and expectations in the process of determining the focus areas. TSKB determines its focus areas and corporate priorities by considering the needs and demands of the stakeholders.

This approach turns into a strategy that enables the Bank to offer products and services that are compatible with the dynamics and client expectations of the market.

### TSKB'S FOCUS AREAS

- Developing various themes in line with Turkey's development plan and extending relevant funds
- Supporting Sustainable Development Goals with Corporate Banking, Investment Banking and Advisory services
- Closely monitoring environmental and social impacts from project finance
- Strong corporate governance and efficient risk management
- Strengthening international cooperation and developing new cooperation opportunities
- Producing and offering advisory solutions powered by well-established technical, financial and sectoral experience
- Maintaining synergistic cooperation with group companies
- Conserving the robust financial structure and a healthy asset quality
- Retaining high-calibre human capital

TSKB takes its objectives, competences, strategic goals and market conditions into consideration while planning the future. At the same time, the Bank evaluates its current and future funding needs within the scope of the capitals model and pays utmost care to ensure its strategies and funds which are blended at the right scale in its executive plans.

### ABOUT THE FUTURE

TSKB continues its journey in line with its strategic focuses on:

- 1- A healthy balance sheet growth
- 2- A robust capital structure
- 3- High efficiency
- 4- Sustainable profitability
- 5 - Market ve stakeholder expectations

As TSKB moves into the future, it continues to invest in competences that will enable it to remain strong and competitive. To that end, the Bank will continue to develop new strategic cooperation ventures and invest in human capital.

The compatibility of stakeholder priorities and TSKB strategy is discussed in the Stakeholders and Materiality Analysis section on page 27 of the report.

# STRATEGIC PLAN

## STAKEHOLDERS AND MATERIALITY ANALYSIS

### STAKEHOLDER COMMUNICATION

As Turkey's only private development and investment bank, TSKB's primary stakeholders and issues are also differentiated within the framework of its strategy of creating value for inclusive and sustainable development.

TSKB has sustainable and effective communication and interaction with its stakeholder groups. The Bank communicates with its stakeholders through different platforms. As a result of its long-term business model and deep-rooted relations with international development finance institutions and financial institutions, TSKB's key stakeholder groups do not show significant changes from year to year.

Attaching tremendous importance to maintaining a sustainable dialogue with its stakeholders, TSKB benefits from the feedback it receives as a valuable and guiding input in many subjects and fields such as;

- Determining strategic priorities,
- Creation of policies,
- Development of social responsibility projects

### TSKB'S STAKEHOLDERS

- Shareholders
- Clients
- Financial institutions
- Subsidiaries
- Employees
- The Banking sector
- Regulatory Authorities
- The Media
- NGO's
- Universities
- Suppliers

### STAKEHOLDER ANALYSIS

Reflecting the integrated perspective on its strategy and all business processes, it's important for TSKB to identify and determine the material issues in line with the expectations of its stakeholders.

Contacting all stakeholder groups within the scope of its operation cycle, TSKB regularly conducts extensive stakeholder analyses to align its strategic and material issues with the views of its stakeholders

and to share information on stakeholder priorities in its reporting process. Preferably, the Bank repeats its stakeholder analysis every other year, considering its long-term strategy and business model, combining the developments that took place within the year and additional stakeholder views as complementary inputs in the conducted stakeholder analysis study. The results of the stakeholder analysis study forms the basis of the Bank's integrated reporting activities.

Issues to be reported in this integrated report was determined based on the stakeholder analysis conducted in the last 2 months of 2018.

During the study, unlike the Bank's previous stakeholder analysis, qualitative research methods were used for the first time in addition to quantitative analysis methods.

For the stakeholder analysis study, sample groups were identified from stakeholder groups and face-to-face interviews were conducted with these groups. During face-to-face interviews, questions were asked about stakeholders' perceptions and attitudes regarding TSKB. These questions also helped to understand their personal motivation and priorities.

The quantitative research phase of the stakeholder analysis was conducted through a questionnaire survey that included questions to analyse stakeholders' perceptions of TSKB and their views on sustainability priorities. The questionnaire was sent out digitally to a sample group representing the TSKB stakeholder universe.

As a result of the study, findings of quantitative and qualitative research were evaluated and analysed together. In the light of the findings of the analysis, face-to-face interviews were conducted with TSKB Management. As a result of this evaluation, material issues of the stakeholders and TSKB Management were assessed together and the Bank's strategy, external and internal stakeholder expectations were weighted to construct a material issues matrix.

Following up on this matrix, materiality list was prepared outlining stakeholder expectations.

### RESULTS AND EVALUATION OF THE MATERIALITY ANALYSIS

The identified priorities and materiality matrix of the TSKB management and all stakeholders as a result of the stakeholder analysis study are presented on the following page.

The Materiality Analysis underlines that TSKB is taking into account the perspectives of sustainability and responsible banking to contemplate with the qualified development of the country, growing in harmony with all stakeholders

#### PRIMARY MATERIAL ISSUES

(For TSKB and other stakeholders)

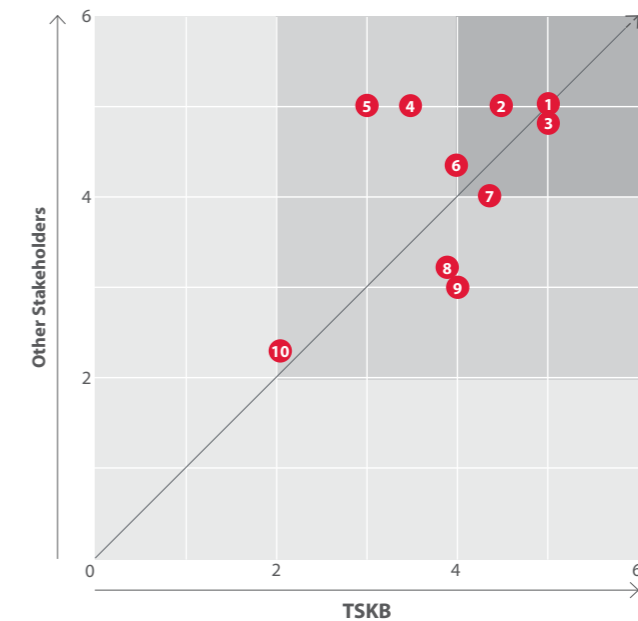
- 1 Supporting employee "learning curve" development
- 2 Developing projects on maintaining and improving the Bank's financial performance
- 3 Supporting the financing of combat and adaptation to climate change
- 6 Effective risk management
- 7 Full compliance with corporate governance principles

#### MODERATE MATERIAL ISSUES

(For TSKB and other stakeholders)

- 4 Managing the environmental and social impacts of the Bank
- 5 Producing development-oriented projects
- 8 Supporting employment
- 9 Supporting financing of women's empowerment
- 10 Strengthening relations with international fund providers

Note: Considering that it is more accurate to evaluate both the financing of combat against climate change and the financing of climate change adaptation which are both prioritized by the TSKB Management and all stakeholders, these two items are gathered under a single heading in the matrix.



## STRATEGIC PLAN

### STAKEHOLDERS AND MATERIALITY ANALYSIS

According to results of the Stakeholder Analysis for both TSKB and its stakeholders;

- Supporting employee development (1),
- Maintaining and improving Bank's financial performance (2),
- Supporting the financing of the combat against and adaptation to climate change (3),
- Effective risk management (6),
- Full compliance with corporate governance principles (7)

stand out as the key material issues. These results are fully in line with TSKB's mission, core objectives and strategies. In addition to its mission of providing a lasting contribution to Turkey's economic development, the recently adopted understanding of sustainable banking and related sub-themes are clearly featured within the Bank's priorities, activities and objectives.

The key priorities of the Bank's management, which considers human resources as the building block of its successful and sustainable performance, are to increase employee satisfaction through investment in human resources and training and to enable the development of its employees.

In parallel with TSKB's contribution to the Turkish economy, developing projects to protect and improve the Bank's performance is one of Bank's main priorities. The Bank unwaveringly continues its efforts in this area.

The survey also emphasizes the importance of full compliance with corporate governance principles, a major area in sustainable banking, and underlines once again the importance of TSKB's policy and practices based on fair, transparent, accountable and responsible banking principles.

In line with the focus of financing sustainable development, TSKB is taking concrete steps towards the priority of combatting climate change and adaptation financing through its renewable energy, energy and resource efficiency projects. It aims to increase the support it extends to efforts to combat climate change by developing new products in this regard in the coming period.

In the stakeholder analysis, medium material issues for TSKB and stakeholders were identified as;

- Managing the environmental and social impacts of the Bank (4),
- Supporting employment (8),
- Supporting financing for women's empowerment (9),

In line with its focus on financing sustainable development, TSKB has taken concrete steps towards financing efforts towards combatting and adaptation to climate change through its renewable energy, energy and resource efficiency projects.

- Producing development-oriented projects (5)
- Strengthening relations with international fund providers. (10)

Management of environmental and social impacts arising from both the financing of development projects and Bank's activities is among the priorities. In today's world, risk management requires effective management of not only financial risks but also all economic, environmental and social risks, which are among non-financial risks. In this regard, TSKB constantly measures and monitors its performance with its sustainability management system and environmental social risk management practices utilized for the Bank's lending processes.


The concept of financing sustainable development covers not only environmental issues but also social issues. Accordingly, TSKB continues its financing activities to support employment and women's empowerment. The Bank also actively manages its communication with international fund providers simultaneously to develop new themes in these areas. In line with its mission, TSKB will continue to support projects to promote Turkey's development through three core services, including development banking, investment banking and advisory services.

Bank's continuous access to long-term resources from development finance institutions is essential in terms of sustainability and TSKB's business model, as well as the value it creates. TSKB follows an approach to widen the diversity of resources and effective cooperation with these institutions along with international finance institutions while identifying its material issues and developing its strategy in light of these issues.

### THE RELATIONSHIP BETWEEN MATERIAL ISSUES AND TSKB'S STRATEGY

TSKB uses the results of stakeholder materiality analysis as an input when determining its strategy. When the results of the materiality analysis are examined, it is seen that each of them coincides with TSKB's focus areas and are indeed complementary to each other.

Materiality Analysis Results	Related TSKB Focus Areas
Providing employees with development opportunities	Maintaining well-skilled human resources
Developing projects on maintaining and improving the Bank's financial performance	Maintaining a strong financial structure and healthy asset quality Development of different themes, especially renewable energy, and providing funding in line with Turkey's development plan
Supporting the financing of the combat against and adaptation to climate change	Financing projects that will support the SDGs* Providing advisory solutions based on deeply rooted technical, financial and sectoral experience Developing innovative products
Managing Bank's environmental and social impacts	Closely monitoring the environmental and social impacts that arise during the financing of projects
Producing development-oriented projects	Financing projects that will support the SDGs Developing innovative products
Efficient risk management	Strong Corporate Governance and Effective Risk Management
Full compliance with corporate governance principles	Strong Corporate Governance and Effective Risk Management
Supporting employment	Development of different themes and providing funding in line with Turkey's development plan Financing projects that will support the SDGs
Supporting financing for women's empowerment	Development of different themes in line with Turkey's development plan and resource provision Financing projects that will support the SDGs
Strengthening relations with international fund providers	Strengthening international collaborations and increasing new collaborations and funding diversity in terms of financing themes, product types and geographies

 The list of all topics in the stakeholder analysis survey can be viewed on page 35 of TSKB 2018 Integrated Annual Report. [http://www.tskb.com.tr/i/content/3483\\_1\\_TSKB\\_2018\\_EFR.pdf](http://www.tskb.com.tr/i/content/3483_1_TSKB_2018_EFR.pdf)

\*Sustainable Development Goals

**STRATEGIC PLAN**  
**STAKEHOLDERS AND MATERIALITY ANALYSIS**

**REFLECTION OF MATERIAL ISSUES IN THE INTEGRATED REPORT**

The following tables lay out which material issues are prioritized by relevant stakeholders as a result of the stakeholder analysis. Their relationship with TSKB's strategies, the SDGs that are served and the referenced capitals with respect to Bank's related actions are covered at the table.

Material Issue	Relevant Stakeholders (Inside/ Outside)	Materiality Strategy	SDG	Section where the created value is described in the report
Providing employees with "learning curve" development opportunities	TSKB Management, Employees, Employees of Subsidiaries	Employee development is one of the top priority issues for TSKB management. TSKB considers human resources to be the building block of a successful and sustainable performance. Employees working at TSKB and its subsidiaries prioritize their personal and professional development, and have the opportunity to continuously grow with the projects carried out.	8	Human Capital
Developing projects for maintaining and improving the Bank's financial performance	TSKB Management, Employees, Employees of Subsidiaries / Development Finance Institutions, Financial Institutions	TSKB's mission is; to contribute to Turkey's sustainable development. Maintaining and improving its strong financial performance is very important towards its access to foreign capital. In other words, sustainable financial performance is a fundamental criterion for TSKB.	8	Financial Capital
Supporting the financing of the combat against and adaptation to climate change	TSKB Management/ Clients, Development Finance Institutions, NGO Media Representatives	Combating climate change and the transition to a low carbon economy is a key issue for TSKB. Performing pioneering studies on combating climate change, renewable energy and energy efficiency, TSKB works in cooperation with its customers in managing the risks arising from climate change.	7 11 13 17	Financial Capital Natural Capital
Managing the environmental and social impacts of the Bank	TSKB Management / Development Finance Institutions, Non-Governmental Organizations / Media Representatives	Within the scope of its mission of sustainable development, it is important for TSKB to measure and manage every impact created. The Bank manages all kinds of environmental and social impacts arising from its operations - even negligible ones - through internationally recognized management systems. TSKB has also adopted pioneering practices in the sector for the management environmental and social impacts and risks, arising from financed projects.	5 6 7 11 13	Natural Capital Human Capital Social Capital
Creating projects for development	TSKB Management / Finance Institutions, Development Finance Institutions, Clients, NGO/ Media Representatives, Sector Representatives	The aim of TSKB, which was founded to support the development of the Turkish private sector, is to support sustainable development. The investment and growth projects of the private sector in Turkey are financed by/ through TSKB, with themed loans and APEX banking, regardless of the industry and size.	9 11 17	Financial Capital Natural Capital Social Capital

\*Inside Stakeholders: TSKB Management, Employees, Employees of Subsidiaries

\*\*External stakeholders: Clients, Development Finance Institutions, Financial Institutions, Sector Representatives, NGO, Media Representatives, Suppliers

Material Issue	Relevant Stakeholders (Inside/ Outside)	Materiality Strategy	SDG	Section where the created value is described in the report
Effective risk management	TSKB Management / Financial Institutions, Development Finance Institutions, Sector Representatives	Effective risk management approach is one of the building blocks of TSKB's strong and sustainable financial performance. The effective risk management approach is also crucial in the continuity of access to the funds of development finance institutions in the process of supporting the development of the Turkish economy.	8 16	Financial Capital
Full compliance with corporate governance principles	TSKB Management / Development Finance Institutions, NGO, Media Representatives	TSKB manages all financial and non-financial risks with an effective corporate risk management approach. Most of the financing provided by TSKB comes from international sources. Ensuring continuous compliance with globally accepted corporate governance principles and transparency are vital in ensuring the uninterrupted access to these resources.	8	Financial Capital Human Capital Intellectual Capital
Support for employment	TSKB Management, Employees, Employees of Subsidiaries / Clients, Development Finance Institutions, NGO Media Representatives Suppliers	One of TSKB's primary goals is to support employment and sustainable economic growth. The Bank contributes to increasing employment within its own structure, clients and suppliers through its activities within the scope of the banking service cycle and the projects it finances.	8	Financial Capital Human Capital Social Capital
Supporting financing for women's empowerment	TSKB Management / Development Finance Institutions, NGO Media	In order to achieve sustainable development, gender equality must be ensured. It is observed that there is a need for financing for women's empowerment in Turkey. TSKB offers gender equality-themed loans in cooperation with development finance institutions and embodies its support for women's empowerment in business and social life.	5	Financial Capital Human Capital Social Capital
Strengthening relations with international fund providers	TSKB Management / Financial Institutions, Development Finance Institutions, Sector Representatives	For the medium-and long-term success of TSKB, a private development bank, it is important to ensure uninterrupted access to international financial resources.	8 7	Financial Capital





## STRATEGIC PLAN EXTERNAL FACTORS

### ECONOMIC DEVELOPMENTS

#### GLOBAL ECONOMIC DEVELOPMENTS

##### As protectionist tendencies increased worldwide...

The rise of protectionist tendencies in foreign trade in 2019 raised the downside risks on global economic outlook. While a weakening global economic outlook brought down commodity prices and inflationary expectations, the search for safe havens led bond rates to decline. In this environment, risk aversion gained momentum and interest rate cuts from central banks of developed countries supported a recovery in capital flows, though to a limited extent.

##### ...there was a contraction in global trade volume

In the January-November period of 2019, global trade volume contracted by 2.8% in US\$ terms and by 0.5% in real terms compared to the same period of the previous year. The weakening in foreign trade volumes in Japan and the Eurozone had a negative impact on industrial production worldwide. The global industrial sector grew by 0.8% YoY in the January-November period of 2019, considerably lower than the previous years' averages. The manufacturing Purchasing Managers' Index (PMI), which had stood at 51.4 at the end of 2018, declined to 49.4 at the end of the first half of 2019, confirming the contraction. However, the index recovered to 50.1 by December 2019.

Contrary to the loss of momentum in industrial production, the slowdown in the services sector remained limited on a global scale. The PMI which stood at 53.4 at the end of 2018, dipped to 51.9 by the end of the first half of 2019, indicating the continued buoyancy. The PMI Index had stood at 52.0 in December 2019, indicating the continuation of the growth in services sector.

##### A fall in commodity prices, except for gold...

Weakening global economic growth led to a decline in commodity prices. Brent crude oil prices averaged US\$ 64.20/bbl in 2019, 10.4% lower than the 2018 average. Likewise, having reached peak levels in 2018, non-gold commodity prices faced a steep decline in the second half of the year. The Bloomberg Commodity Prices Compound Index's 2019 average was 3.9% lower than the 2018 average, while the metals and energy sub-indices tumbled by 8.0% and 8.5%, respectively. However, the decision by the OPEC plus Russia group to cut daily oil production by 500,000 barrels in the first quarter of 2020 led to a moderate recovery in oil prices.

##### ...leads to downward pressure in inflation and interest rates...

Declining commodity prices and the vulnerabilities in the growth outlook put downward pressure on inflation and interest rates. Having approached 3% in mid-2018,

inflation fluctuated between 1.5% and 2.3% in 2019 in the United States. In the Euro Zone, inflation declined from 2% to below 1% in the same period.

Yields on the US 10-year benchmark bond, which had risen to 3.2% in October 2018, declined to below 1.5% in mid-2019. In the same period, yields on Germany's 10-year bond declined from over 0.4% to -0.7%. This was followed by a recovery amid expectations that the bottom point may have been seen in the world economy with a recovery in risk appetite, as US 10-year benchmark yields rose to 1.8% and Germany 10-year yields to -0.2%.

##### ...and rate cuts from the FED and ECB

Under these market dynamics, the US Central Bank (the FED) started policy rate cuts in the second half of 2019, with cuts amounting to 75 basis points, lowering the upper band to 1.75% and the lower band to 1.50%. Meanwhile, the European Central Bank (ECB) cut rates from -0.40% to -0.50%, while resuming asset purchases and targeting long-term re-financing operations. Under these conditions, policy rates were also lowered in many emerging economies as well.

The IMF revised its 2020 growth projection for 2020 to 3.3%, marking a gradual downward adjustment of some 0.4 basis points since mid-2018.

##### Emerging economies to lead the recovery in 2020 growth, according to the IMF

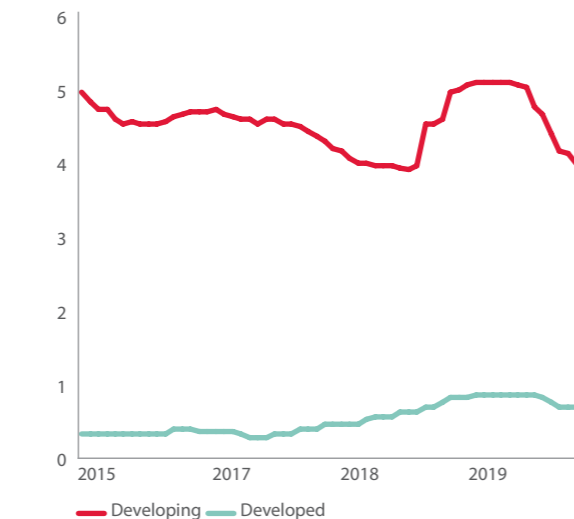
The International Monetary Fund (IMF) stated that growth in 2019 was 2.9%, some 0.7 basis points under the 2018 figure and the lowest growth figure since 2008-2009. On the other hand, the IMF revised its 2020 growth projection for 2020 to 3.3%, marking a gradual downward adjustment of some 0.4 basis points since mid-2018. In its report, the IMF pointed out that interest rate cuts from central banks had partially limited the downside risks, while pointing out that the recovery in 2020 growth would come on the back of an acceleration in emerging economies outside China.

#### WORLD TRADE VOLUME AND INDUSTRIAL PRODUCTION (3-MONTH AVERAGE ANNUAL CHANGES)



Source: CPB, TSKB Economic Research

#### AVERAGE POLICY INTEREST RATE IN DEVELOPING AND DEVELOPED ECONOMIES



Source: Bloomberg, TSKB Economic Research



**STRATEGIC PLAN**  
**EXTERNAL FACTORS**

The central budget realizations in 2019 reflect the measures taken in 2018 to support the economy, rising interest rates and the contraction in domestic demand.

**THE TURKISH ECONOMY**

**A recovery in the economy from mid-2019...**

Having lost momentum in the second half of 2018, the Turkish economy started to bounce back in mid-2019.

The economy contracted by 1.9% in the first half of 2019 compared to the same period of previous year, while recording 0.9% growth in the third quarter with the recovery in domestic demand. Thus, the contraction in the January-September period was recorded at 0.9%.

**...thanks to the support of public spending and external demand**

While private sector consumption and total investment spending weighed down on growth throughout the year, public spending and external demand limited the contraction in the economy. The seasonally adjusted unemployment rate increased to 13.2% in November 2019 from 12.9% at the end of 2018.

**Tourism makes a strong contribution to the economy**

A strong contribution from the tourism sector in 2019 led to a significant reduction in the Turkish economy's external imbalances while domestic demand stayed weaker. Moreover, exports remained strong thanks to the competitive levels of the TL, supporting the foreign trade balance and the improvement in the current account. Accordingly, exports increased by 2.1% in 2019 compared to the previous year, while imports declined by 9.1%, implying a 33.9% decline in the foreign trade deficit. The current account turned from a deficit of US\$ 28.3 billion in 2018 into a surplus of US\$ 1.7 billion in 2019. The non-energy current account surplus increased from US\$ 10.3 billion in 2018 to US\$ 35.5 billion in 2019.

The central budget realizations in 2019 reflect the measures taken in 2018 to support the economy, rising interest rates and the contraction in domestic demand. Tax income recorded a limited 8.3% increase in 2019 while non-interest expenditures rose by 18.9%. As a result, the budget deficit increased by 69.9% YoY to TL 123.7 billion, while the non-interest budget surplus of TL 1.1 billion in 2018 turned into a deficit of TL 23.8 billion in 2019.

**The Central Bank of Turkey monitored the recovery in inflation dynamics...**

Lower global commodity prices combined with the limited volatility in the TL and the subdued domestic

Lower global commodity prices combined with the limited volatility in the TL and the subdued domestic demand conditions all contributed positively to inflation dynamics in 2019 in general.

demand conditions all contributed positively to inflation dynamics in 2019 in general. The rate of CPI inflation, which stood at 20.3% at the end of 2018, declined to a three-year low of 8.55% in October 2018, while core inflation dropped to 6.67% - the lowest figure in the last six years.

While goods prices were the main reason behind the fall in overall inflation, the improvement in services group inflation was slower. However, the decline in domestic producer prices throughout the year confirms the easing in cost pressure. The annual rate of PPI inflation, which stood at a rate as high as 33.6% at the end of 2018, declined to 1.7% in October. Following that, the annual rate of inflation started to increase in November and December due to the base effects. As a result, the annual rate of CPI inflation rounded off the year at 11.8% while the annual rate of PPI inflation stood at 7.4%.

**...and implemented rate cuts**

The Central Bank of Turkey left interest rates on hold in the first half of the year, while the volatility in financial markets was limited throughout the year as a result of the rebalancing process in the economy. In the second half of the year, the Central Bank lowered the policy rate from 24% to 12%.

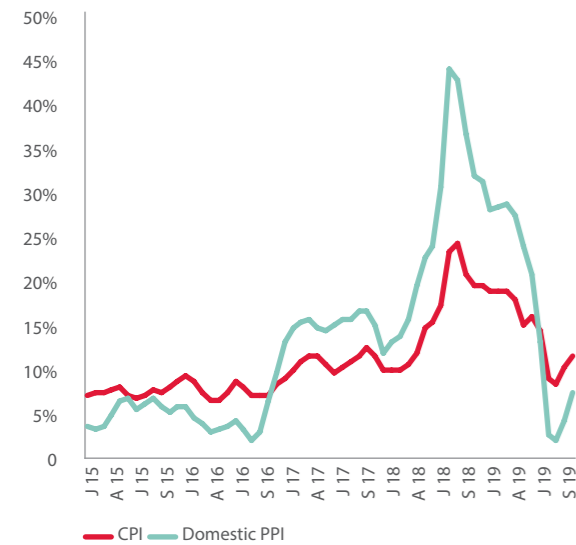
Yields on the benchmark bond, having ended 2018 at 19.73% and increasing a little further in the first half of 2019, declined to below 12% by the end of the year. The USD/TL exchange rate fluctuated between 5.15-6.25 during the year, from a rate of 5.26 at the end of 2018, suggesting that the TL underwent a limited depreciation of 0.4% in real terms. On the other hand, equities enjoyed gains of more than 20%.

**Turkish economy on course to grow close to its potential in 2020**

The Turkish economy, which is estimated to have concluded 2019 with limited growth, is expected to grow close to its potential trend growth in 2020 with growth driven by domestic demand while, in contrast to 2019, the current account balance is expected to post a deficit in 2020.

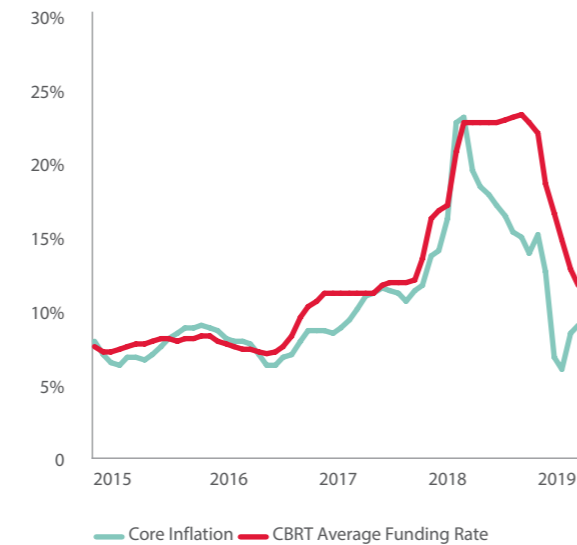
While global developments limit inflationary risks, food prices will be a parameter that must be followed closely. In the presence of these dynamics, it is thought that the Central Bank has some further room for additional interest rate cuts in 2020.

**ANNUAL INFLATION RATES**



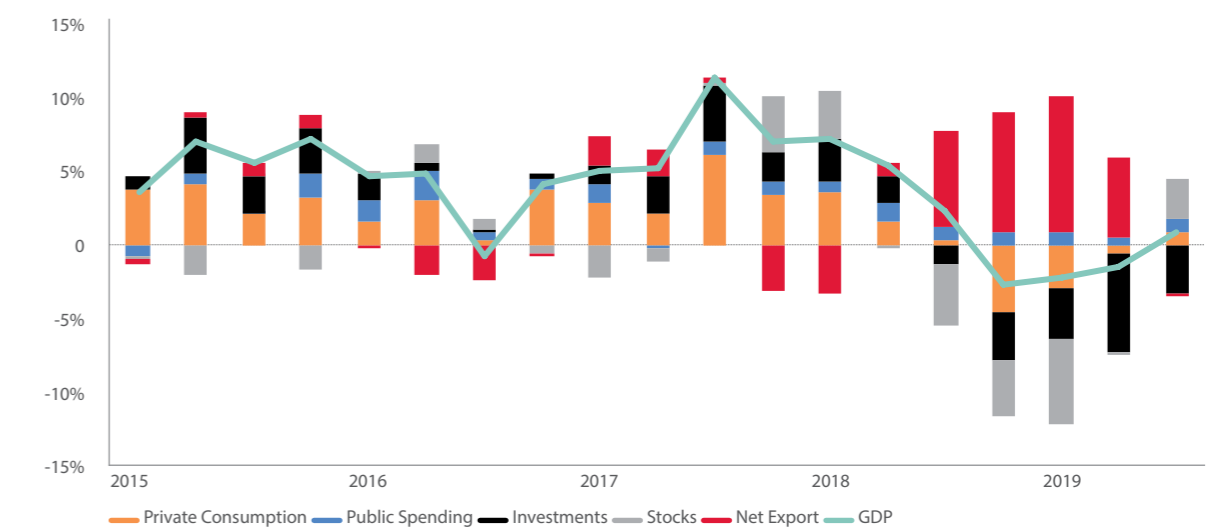
Source: TurkStat, TSKB Economic Research

**CBRT AVERAGE FUNDING RATE AND CORE INFLATION**



Source: CBRT, TurkStat, TSKB Economic Research

**ANNUAL GDP GROWTH AND COMPONENTS**



Source: TurkStat, TSKB Economic Research

**STRATEGIC PLAN**  
**EXTERNAL FACTORS**

**SECTORAL DEVELOPMENTS**

The banking sector recorded a higher rate of growth in 2019 compared to the previous year. While the share of the foreign liabilities in the funding structure of the sector was reduced as a matter of strategic choice, the banking sector managed to deliver solutions that would support the economy despite the burden of worsening asset quality.

Loan demand declined as a result of the changing economic conditions and expectations in 2018, resulting in an foreign currency adjusted loan growth of 1.8%. In 2019, the loan demand relatively picked up in 2019 and total loans posted a growth of 6.2%.

Loan demand in 2019 was predominantly driven by Turkish Currency (TL) loans. TL loans grew by 14.8% while FX loans shrunk by 5.6% amid an absence of FX loan demand from corporations and the repayments of existing loans. With regard to corporate loans, TL loans grew by 14.6% while the contraction in FX-denominated loans limited the overall growth in corporate loans to 3.9%.

On a scale basis, SMEs preferred to scale back their loans, while corporate firms other than SMEs switched to TL loans from FX loans due to change in regulations. In 2019, the net volume of TL loans increased by 6.3%. In 2019, private banks, including TSKB, recorded a 4.9%

growth in TL corporate loans, and a 22% expansion in the non-SME corporate loans. However, there was an 8% contraction in the FX loan volumes as a result of corporates' net repayments.

In the second half of 2019, the Central Bank has started rate cuts which was followed by banks via lowering lending rates. In addition, given the postponed demand, a recovery was observed on retail and non-SME corporate TL loans.

Loan demand is projected to remain buoyant in the first half of 2020, and loan growth in 2020 is estimated to end up at 10-15% levels.

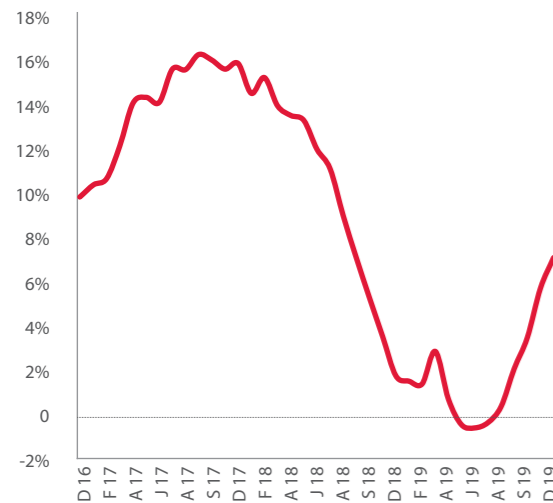
**Asset quality set to improve**

The positive developments expected to be seen in the asset quality will have a decisive impact on the expansion of the sector's contribution to the economy.

Since 2018, migration to loans under close monitoring and non-performing loans have accelerated and some large-scale loans have been restructured. The efforts of banking sector for restructuring of loans continues with the support of regulation revisions.

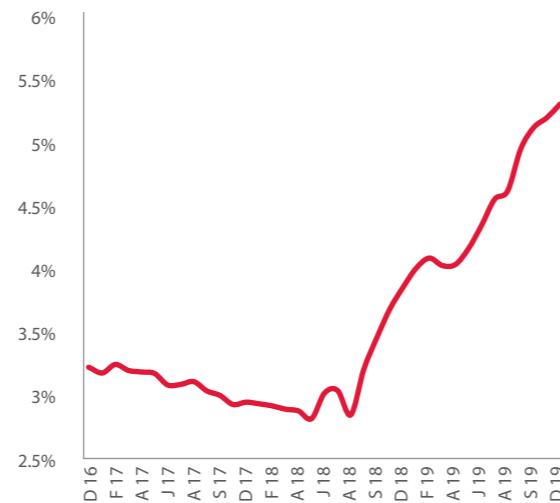
As of the end of 2019, the sector's NPL ratio stood at 5.29%, indicating a surge of 140 basis points compared to 2018 year-end figure. On corporate loans side, NPL ratio reached 5.79%, which is 180 basis points higher than the previous year.

**BANKING SECTOR LOANS**  
(FX-adjusted annual growth)



Source: BRSA Statistics

**BANKING SECTOR NPL RATIO**



Source: BRSA Statistics

In 2020, the positive expectations in the macro-economic conditions and the success of restructuring of loans, will create positive contribution to the asset quality.

The deterioration of the asset quality, including the loans under close monitoring, has become a burden for the banking sector regarding its support to the economy. The difficulties in collections and the provision costs take its toll on the banks' lending potential.

The expected improvement in the economic conditions, the success of restructuring efforts and the loan growth in 2020 may limit further deterioration in the asset quality.

Despite the fluctuations in economic and market conditions; the capital adequacy ratio, which is the main indicator of resilience of the banking sector, was strengthened by 130 basis points to 18.63% as of November 2019, as a result of the prudent management approach adopted by the banks.

In 2019, it was observed that the shareholders' equity of private banks was supported by the accumulation of core equity, while the state banks' was backed by the state via subordinated debt instruments. The high capital adequacy ratio will enable the banking sector to accelerate the loan growth in 2020.

**AUTHORITIES' REGULATIONS AND REGULATORY CHANGES**

**Macro-Precautionary Measures**

With regard to foreign exchange transactions, the banking and insurance transaction tax (BSMV) over the sales amount was put in place at a rate of 1 part per thousand with effect from May 15<sup>th</sup> 2019, while it increased to two parts per thousand with the omnibus bill that entered effect on December 7<sup>th</sup> 2019. On the other hand, the BSMV rate - which is normally calculated over the sales amount - was determined as zero in the sales of foreign exchange made to enterprises holding a industrial registration certificate and for foreign exchange sales made to the exporters who are members of exporter unions.

The practice of bringing export prices, which were put into practice for 6 months in 2018, within 180 days and converting 80% of the export price to Turkish Lira was extended in 2019. The practice remained in force until March 3, 2020 with the amendment tabled on August 31, 2019. On the other hand, with the amendment



## STRATEGIC PLAN

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made on the last day of 2019, the time of bringing the export prices to the country was increased to 270 days, and the practice of converting export prices into Turkish lira was abolished.

As set out within the context of Law No:32 on the Protection Of The Value Of Turkish Currency, there were a total of 22 amendments made to the Capital Flows Circular in 2019, which is the application instruction for the use of foreign currency loans. The majority of the changes were made in line with the needs of the Bank and financial institutions that intermediate in the sector and foreign currency loans.

#### **BRSA Regulations and Financial Reporting**

The 'Regulation on the Amendment of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for Such Loans was published by the BRSA and entered into effect. Within the scope of the amendments made with the regulation, the proportion of loans / receivables classified as losses and for which there are no reasonable expectations regarding the recovery of loans with the lifetime of the loan due to the expected default of the borrower, or the loans that set aside special provisions can be deducted from the records as of the first reporting period within the context of TFRS 9.

At the same time, the disengagement application will not result in the right to renounce receivables and the issues related to the disengagement application (indications that there are no reasonable expectations, follow-up policies, unregistered policy, deductions, etc.) will be explained in the footnotes of the financial statements.

Within the context of Regulation on Equity of Banks, of the general provisions, up to 125 parts per 10,000 of the sum of risk-weighted amounts of receivables, in which the standard approach was used to determine the amount subject to credit risk, could be included in the contribution capital calculation. With the amendment made to the Regulation on March 14<sup>th</sup>, 2018, the decision was taken not to include these amounts in the contribution capital calculation as of January 2020. With the amendment made in December 2019, the effective date of the measure was postponed until January 2022. Thus, from January 2022, general provisions will not be included in the contribution capital calculation.

#### **Financial Restructuring Agreements**

The Law No. 7186 on the Amendment to the Income Tax Law and Certain Laws were published in the Official Gazette dated 19 July 2019 and entered effect. In accordance with Article 17 of this Law and the temporary articles added to the Banking Law, the framework was set for The Banks Association of Turkey (TBB) to prepare the Financial Restructuring Framework Agreements. With the Financial Restructuring Framework Agreements prepared by TBB as a result of the regulation, financial restructuring implementation was initiated for banks and financial institutions for large and small scale companies with credit debt.

The application is aimed at customers who are willing to pay their debt but are unable to fulfil their reimbursement obligations because of difficulty in balancing their income with their spending.

The implementation for large-scale companies with debts of TL 25 million or more to the financial sector, prepared within the framework of the Financial Restructuring Framework Agreements, entered force on October 14, 2019, while for small-scale companies with debts of less than TL 25 million, the implementation entered force on November 8, 2019 following the necessary approvals.

TSKB has signed Financial Restructuring Framework Agreements for both implementations.

Within the context of the same regulation, with the temporary article No:32 added to Banking Law No: 5411, indebted parties which have credit relations with the banks, financial leasing companies, factoring companies, financing companies and other financial institutions defined in the temporary article which are operating in Turkey, and which have been specified in the Framework Agreements made in accordance with the regulation published by the BRSA, may be restructured as a whole or in part with other borrowers in the risk group they are involved in, with the measures to be taken regarding the loans extended by these institutions, to enable them to fulfil their reimbursement obligations and continue to contribute to employment.

The procedures and principles regarding financial restructuring to be made in accordance with this article will be determined by the Framework Agreements prepared within the framework of the provisions of the regulation issued by the Authority. The rulings of this article will be applied for two years from the date of publication of this article. Additionally, in line with the framework agreements entered into in accordance with

the article in the regulation and the contracts arranged within the scope of these agreements, the parties will be exempted from stamp duty, Resource Utilization Support Fund (KKDF) payments and the banking and insurance transaction tax (BSMV).

#### **Anti -Money Laundering and Counter-Terrorism Financing and Sanctions**

There were many developments in 2019 on a global scale, which led the USA to tighten its policies on sanctions, while paving the way for the European Union to expand its regulations on anti-money laundering and counter-terrorism financing.

In accordance with national law and international regulations, TSKB follows the national and international exclusion lists and sanction decisions within the framework of its commitments to institutions and organizations which have a correspondent / resource relationship. Since the Bank is obliged to carry out exclusion and sanction checks in all its activities, it has been conducting its exclusion and sanction checks comprehensively and systematically since 2016.

The Dow Jones Watchlist system is used at TSKB, as all exclusion and sanction lists are checked in their most comprehensive form. During the process, automatic controls are performed on the query screens with a wide array of data.

Performing queries into the exclusion and sanction checks automatically on digital environment reduces the possible control risk that TSKB may encounter.

#### **OTHER FACTORS**

##### **Climate Action**

The effects of climate change have become more visible in daily life. In this process, climate action comes to the fore simultaneously.

The 25<sup>th</sup> Conference of the Parties (COP25) held in December 2019 made an overwhelming impression under the subject of combat against climate change, as the business world, including the banking sector, closely followed this process and its outcomes. However, COP25 was subject to criticism for failing to produce the outcomes expected by the international agenda.

The discussions between the parties expecting all countries to set out and undertake more ambitious targets regarding climate change and the resisting countries were finalized by updating the decision that countries should update and enhance their climate plans as the proposal of all countries to communicate their climate plans in 2020.

##### **Sustainable Finance**

The significance and importance of sustainable finance is another factor which has been in the spotlight in recent years. International initiatives and standards developed in the field of sustainable finance play an important role in accelerating the process.

The Responsible Banking Principles, published by UNEP FI in September 2019, were put into force with the signature of 130 banks from 49 countries. The EU has taken the lead in setting regional standards and commissioned a number of studies in this regard. The European Commission launched a package of measures for the implementation of the fundamental actions announced in the Sustainable Finance Action Plan in May 2018. In this regard, there are efforts spent on the development of EU green bond standards, EU taxonomy (specifically for climate change), EU climate criteria and climate related corporate reporting criteria.

##### **Social Outlook and Social Development**

According to November 2019 figures, Turkey's unemployment rate increased by 1 percentage point to reach 13.3%. Considering an average rate of unemployment of 5.1% throughout the OECD as of December 2019, the unemployment rate in Turkey appears high when compared with OECD countries.

Meanwhile, youth unemployment in Turkey increased by 0.9 percentage points to reach 24.5%. Women's participation rate in the labour force stood at 33.9% in 2019, below the global average of 47.6%.

The issue of gender equality, which has increasingly gained importance in recent years, remained a contentious issue in 2019. According to the 2019 Gender Inequality Index (GII) study carried out by the United Nations Development Program, Turkey is ranked 66<sup>th</sup> among 162 countries with an index value of 0.305.

##### **Non-Financial Reporting Trends**

The non-financial reporting trend, which has gained momentum in recent years, continued its rise in 2019. Based on the figures from the 2018-2019 period, 61% of companies listed in FTSE 350 undertook non-financial or both financial and non-financial reporting.

The most innovative trend in reporting is the work undertaken in the field of reporting climate related financial impacts. The most prominent standard among these is the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). According to 2019 figures from TCFD, 785 organizations have committed to support the TCFD initiative, which is a voluntary initiative focusing on reporting financial risks caused by climate change. In addition, 36 different central banks and five governments stated their support for the TCFD and encouraged TCFD reporting.

## CAPITALS

### FINANCIAL CAPITAL

**TSKB'S FINANCIAL CAPITAL CONSISTS OF PRODUCTS AND SERVICES IT PROVIDES TO ITS STAKEHOLDERS THROUGH ITS FINANCIAL RESOURCES AND THE ADDED VALUE IT CREATES THROUGH ITS CORPORATE CULTURE WHILE ALLOCATING THESE RESOURCES.**

#### CONTRIBUTION TO TURKEY'S SUSTAINABLE DEVELOPMENT

TSKB's economic and development-oriented structure enables it to evaluate and direct its financial resources towards this goal.

Since its foundation, TSKB has been constantly developing its competencies and witnessed Turkey's development journey in every aspect. The Bank is focused on contributing to the investment and development journeys of the business world in the areas of Corporate Banking, Investment Banking and Advisory Services from a more focused perspective and increasing its effectiveness in these areas.

#### In this section

- Deeply-Rooted Expertise In Investment Loans
- Renewable Energy
- SMEs
- Women's Empowerment
- Close Cooperation with Development Finance Institutions
- Strong Relations with International Financial Institutions
- APEX Banking
- Corporate Finance
- Money Markets and Capital Markets
- Advisor Bank
- Information Technologies and Process Improvement Projects
- TSKB's Stock Performance
- Assessment of Financial Situation, Profitability and Solvency
- 2020 Financial Projections

#### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS FINANCIAL CAPITAL



## 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

### HIGHLIGHTS FROM 2019

#### AN EXPANDING AND DIVERSIFIED NETWORK OF DEVELOPMENT FINANCE INSTITUTIONS WITH NEWCOMERS

TSKB further strengthened its strong liquidity position by signing a total of USD 475 million loan agreements, mainly medium and long-term loans, in 2019. The loan obtained from the China Development Bank (CDB) during year was the first loan given to Turkey by CDB under the guarantee of the Ministry of Treasury and Finance.

#### USD 1.4 BILLION OF SUPPORT TO THE ECONOMY

TSKB's support to the economy via cash and non-cash loans in 2019 amounted to USD 1.4 billion. Total cash loans amount has reached to USD 650 million out of which USD 80 million was in the form of APEX loans.

#### A KEY PLAYER IN DEVELOPMENT AND INVESTMENT BANKING WITH ITS STRONG CAPITAL

TSKB's total assets expanded by 10% compared to the previous year driven by the contribution of the growth in its loan portfolio, reaching TL 42 billion. Ranking 13<sup>th</sup> in the sector in terms of its asset size, the Bank maintains its number two position among development and investment banks. 77% of TSKB's assets were denominated in foreign currency (FX), and the Bank's capital adequacy ratio stood at 17.8% at the end of 2019.

#### A RISK-FOCUSED AND SELECTIVE APPROACH IN LOAN ACTIVITIES

Commanding a 35% market share among development and investment banks in long-term loans, TSKB continued to grow its loan portfolio in 2019 with a risk-oriented and selective approach. The Bank's total gross loans increased by 12.5% in TL terms in 2019 reaching TL 31.4 billion. The Bank maintained its intensive loan monitoring activities in 2019 as well.

USD **1.4** billion  
TSKB extended USD 1.4 billion of support to the economy via cash and non-cash loans in 2019.

#### USD 4.2 BILLION OF NEW LOAN LIMITS

TSKB allocated USD 4.2 billion of cash and non-cash (excluding APEX) loan limits to its corporate clients during the year and signed new loan agreements totalling USD1.8 billion. The number of the Bank's active clients has expanded by 37% in the last 3 years.

#### INVESTMENT LOANS ACCOUNT FOR 70% OF THE LOAN BOOK

In line with its mission, TSKB focuses on investment loans, which accounted for 70% of the Bank's total loans in 2019. As of the end of 2019, 22% of the total loan portfolio consisted of working capital loans and APEX loans accounted for an 8% share.

91% of TSKB's loan portfolio is comprised of FX loans, with 48% in USD terms and 42% in EUR terms. The share of TL loans in the Bank's total loan portfolio stood at 9%.

#### MEDIUM AND LONG-TERM LOANS COMPRISE 85% OF TOTAL LOANS

TSKB extends medium-term and long-term loans to its clients in line with its vision to be the pioneering bank in Turkey's sustainable development. As of the end of 2019, 15% of TSKB's loan portfolio was comprised of loans with maturities of less than one year whereas 51% account for the loans with maturities of 5 years or longer. On average, each loan has a maturity of 5.3 years with a size of USD 13 million.

#### A STRONG SURGE IN BANKING REVENUES

TSKB increased its banking revenues, excluding CPI-linked security income and trading gain/loss, by 32% year-on-year to TL 1.2 billion. Having maintained its prudent provisioning policy, the Bank posted a net profit of TL 702 million, marking an surge of 6.2% compared to the previous year. As of 2019 year-end, TSKB delivered a return on tangible equity of 16.1% and a return on assets of 1.8%.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

#### DEEPLY ROOTED EXPERTISE IN INVESTMENT LOANS

Within the scope of its corporate banking activities, TSKB extended USD 650 million of cash loans to its clients in 2019, with USD 305 million of this amount provided to corporate clients to support long-term investment projects, and short to medium term business loans. As part of its project financing activities, the Bank extended approximately USD 265 million to project finance loans which were financed with the participation of other financial institutions. The amount of APEX loans extended in the same period was USD 80 million.

In 2019, the new loans were predominantly focused on infrastructure investments in electricity generation and distribution activities; industrial development, support for women's employment and developing regions, energy and resource efficiency and as well as financing efforts for the investment and working capital needs of SMEs and MSEs operating in areas such as the automotive, textile, chemical-plastics, food and iron and steel sectors.

In 2019, financing was provided to investments in wind, geothermal, solar and biogas resources in the field of renewable energy.

According to 2019 figures published by the Banks Association of Turkey, TSKB commands a 4% market share in project financing.

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#### AREAS WHERE TSKB PROVIDES PROJECT FINANCING

##### MERGERS AND ACQUISITIONS (M&A)

Energy  
Fuel  
Packaging  
Pharmaceuticals

##### ENERGY

Renewable energy and power generation plants  
Electricity distribution projects  
Natural gas distribution projects  
Environmental, resource and energy efficiency projects

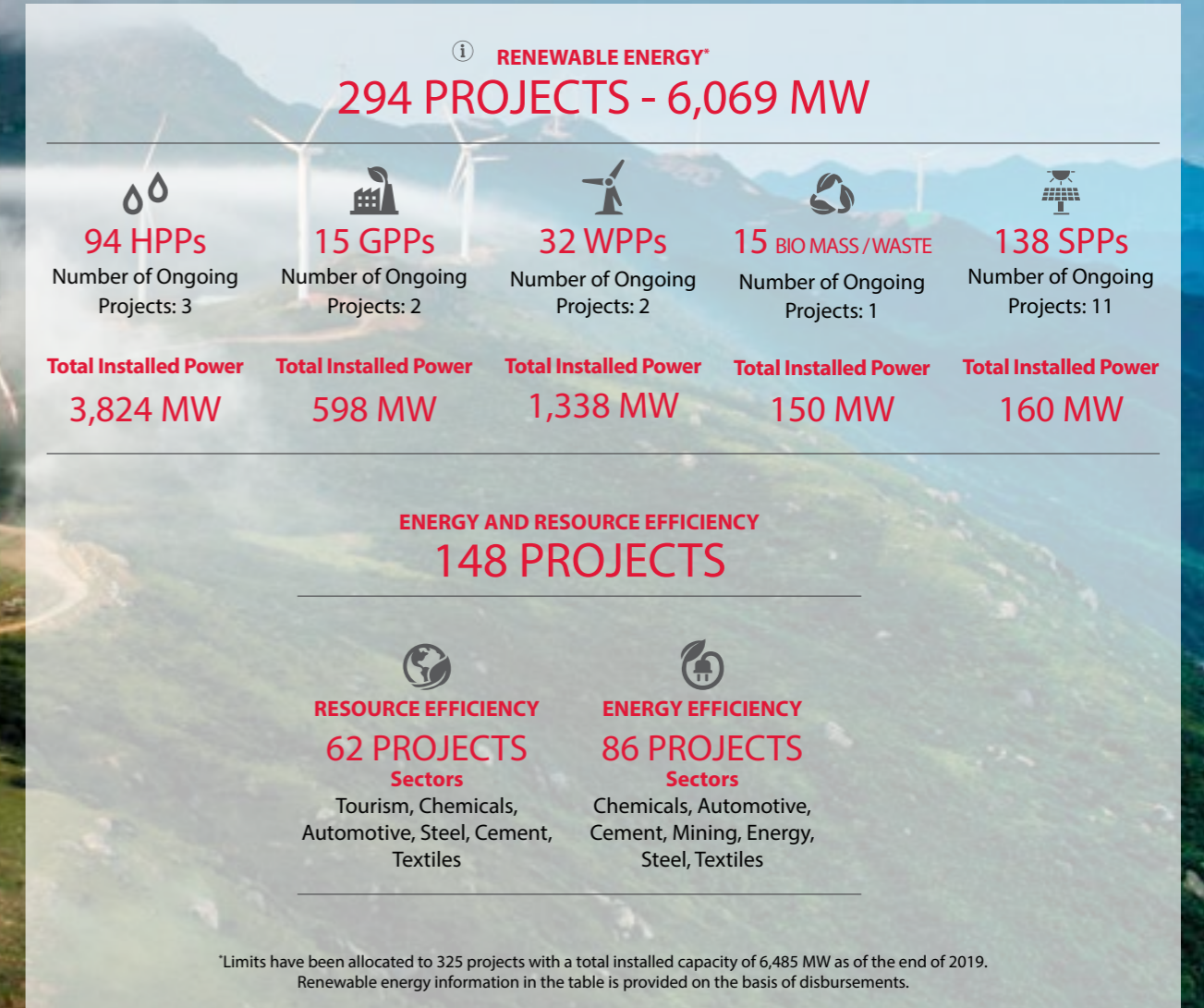
##### INFRASTRUCTURE

Logistics  
Transportation projects (ports and airports)  
Telecommunication

##### PUBLIC-PRIVATE PARTNERSHIP PROJECTS (PPP)

Integrated Health Campus

Effective use of renewable energy resources is significantly important in the process of combatting climate change and Turkey's transition to a low carbon economy.



**FINANCIAL CAPITAL**  
**2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS**

14%

The energy projects financed by TSKB so far account for 14% of Turkey's total installed renewable energy power.

**THE RENEWABLE ENERGY SECTOR AND TSKB**

Combating climate change and an efficient and accurate use of renewable energy resources during Turkey's transition to a low carbon economy hold key importance. Renewable energy resources also have a key position in terms of reducing Turkey's import dependency in the field of energy. Electricity generation has the largest share in the Bank's loan portfolio with a rate of 36 where renewable energy projects constitute 86%.

**Total installed capacity of renewable energy projects, which TSKB provides financing so far, reaches 6,069 MW.**

TSKB has been supporting projects carried out in the field of renewable energy in our country since 2002 with its medium and long term funds secured from DFIs.

The energy projects financed by TSKB range from hydro-electric power plants to solar, wind, biomass and geothermal power plants. The total estimated installed capacity for the 294 projects financed stood at 6,069 MW, representing 14% of Turkey's total installed capacity in renewable energy.

Types of renewable energy projects which have been financed in 2019 were mainly wind, geothermal, solar and biomass.

Notably, the energy sector maintained its significant share in TSKB's loan portfolio at the end of 2019. In the upcoming periods, Bank will continue supporting such renewable energy projects which enhance domestic energy resources in the economy.

**87% of financed energy projects are in operation.**

As of end of 2019, 87% of the power plant projects financed by TSKB are in operation. The operating projects have a total installed capacity of 5,296 MW.

While the total investment amount for energy projects financed between 2003-2019 in our country was USD 10.4 billion, TSKB committed a financing of approximately USD 4.3 billion for these projects.

87%

As of the end of 2019, 87% of the energy projects financed by TSKB are in operation.

**TSKB provides strong support for energy and resource efficiency projects.**

Since the first energy efficiency strategy document released by the government in 2012, TSKB has been supporting efforts to improve resource and energy efficiency in local private sector by offering medium term and long-term funding. The Bank so far extended approximately USD 1 billion of funding to 148 projects in the energy and resource efficiency fields as well as for production processes and waste management to companies in the iron, steel, cement, textile, aluminium, automotive supply and chemicals industries.

Energy and resource efficiency loans extended in various sectors represented 5% of TSKB's loan portfolio as of the end of 2019.

In a cycle when tackling climate change has steadily gained more importance, TSKB anticipates that the importance of resource efficiency - including energy efficiency - will increase further.



With the projects financed under the theme of women empowerment approximately 1,450 jobs has been created for women as of 2019 year-end.

**VERSATILE SERVICES EXTENDED TO SMEs**

Ever since the day it was established, TSKB has offered various financing models in support of SMEs which are at the heart of the Turkish economy.

The Bank finances the investments of the relevant firms in a variety of fields ranging from modernization and capacity expansion investments, to energy efficiency and environmental projects. Furthermore, the working capital needs of SMEs are covered according to the funding criteria of the funds received from development finance institutions. As of the end of 2019, the share of SME loans on lend through APEX loans within the total portfolio stood at 8%.

The InnovFin SME Guarantee Agreement, developed within the scope of Horizon 2020, was signed with the European Investment Fund (EIF) in order to improve SME's access to finance, as providing sufficient collateral being one of the most challenging problems SMEs face in accessing bank loans. TSKB has been supporting the research, development and innovation projects of innovative SMEs since 2016 with the loans extended in a portfolio under this loan guarantee mechanism. As of the end of 2019, a portfolio volume of EUR 10.3 million was reached with a total of 11 sub-loans included in the InnovFin portfolio.

**INCREASING SUPPORT FOR WOMEN'S EMPLOYMENT**

Following the loan agreement signed with the French Development Agency (AFD - Agence Française de Développement) in December 2016, as a consequence of its theme diversification focus, TSKB added "Women's Empowerment" in addition to "Occupational Health and Safety" to its funding themes. This funding was used to support the occupational health and safety investments of the firms operating in Turkey and to finance investments in various sectors, undertaken by the firms which support gender equality in the working environment and to provide opportunities for women to join the workforce.

Furthermore, with the World Bank loan provided in 2018, TSKB continued to support women's employment in addition to developing regions where the concentrations of Syrians living under temporary protection (SuTP) is high.

As of 2019, around 1,450 additional women have joined in the labour force with the financing support of TSKB under the women empowerment theme. In addition, action plans are designed for companies to self-evaluate and improve their practices within the scope of equal opportunity such as implementation of equal opportunities in job recruitment and selection, revision of HR policies, ethic rules, disciplinary policies, improving or establishing breastfeeding rooms, reducing or eliminating the gender pay gap and supporting training on gender equality.

In November 2019, TSKB obtained EUR 85 million loan from AFD to finance investments to be undertaken by companies which support equal opportunities and women's employment in the working environment.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

Taking USD 700 million provided to SMEs through APEX loans into account, total amount of funding extended to the real sector by TSKB in the last 5 years amounted to USD 7.7 billion.

#### USD 7 BILLION OF FUNDING PROVIDED BY TSKB TO THE REAL SECTOR IN THE LAST 5 YEARS

Operating with the mission of producing effective solutions to the long-term resource needs of private sector clients, TSKB provides a high-quality contribution to the sustainable growth of the Turkish economy. The Bank extended USD 7 billion of total direct funding to the real sector in the last five years in sectors such as renewable energy, energy efficiency, infrastructure and logistics.

Taking the USD 700 million worth of APEX loans directed to SMEs into account, the total funding extended to the real sector reached USD 7.7 billion.

#### A BALANCED NON-CASH LOAN PORTFOLIO

Brokering for letters of guarantee, import and other foreign trade transactions as required by investment and utilities projects, TSKB offered its clients USD 720 million of total non-cash loans in 2019.

Throughout the year, the Bank focused on responding to the non-cash loan needs of its clients in the energy, iron and steel, chemistry, plastics and textile sectors.

USD **720** million

Total non-cash loans TSKB made available to its clients in 2019.

#### EXTENSIVE SUPPORT FOR TURKEY'S DEVELOPMENT IN 2020

TSKB plans to continue financing renewable energy projects in line with the Sustainable Development Goals in 2020, which contribute to bringing domestic energy resources into the economy. At the same time, The Bank will also continue to support investments which support women's employment and investments in developing regions, and projects that transfer human and cash capital to R&D investments, target energy and resource efficiency, and investments by exporters which provide foreign currency input to our country. Another target set out by TSKB is to increase its support for the development of our country by continuing to provide financing within the scope of investment and working capital needs for development priority regions.

#### LOAN MONITORING ACTIVITIES

The selection of companies and projects to be credited, the implementation of the credit analysis and the allocation and monitoring functions from a comprehensive and prudent perspective all contribute significantly to the sustainability of the high quality of the loan portfolio.

Projects at TSKB undergo a rigorous assessment process based on unbiased, comprehensive and in-depth reviews by financial analysts, engineers and economists. Accordingly, the Bank's NPLs have historically remained at low levels.

The main part of the loans provided for companies' investment and working capital financing consists of foreign currency loans and it is therefore important on clients' front to generate foreign currency income and cash flow. A significant share of TSKB's loan portfolio consists of loans to renewable energy projects which will maintain their strategic importance in the future. This contributes to the high asset quality of the Bank's portfolio. The guaranteed prices denominated to foreign currency in these projects and additional incentives for local equipment usage create a natural hedging mechanism, increasing the efficiency and solvency of the projects.

TSKB signed USD 300 million of themed loan agreements with development finance institutions in 2019.

Economic developments since 2018 have spurred a wave of credit restructuring in the banking sector. In this process, TSKB has embarked on a process of restructuring and/or refinancing certain loans in its portfolio, mainly consortium loans syndicated by banks as well as some project finance loans. Most of these restructuring processes have been completed, and another phase of them is in the pipeline reaching completion.

The majority of the Stage 2 and Stage 3 loans are project finance loans extended to companies which continue their activities. For loans whose restructuring process is underway, the cash flows and repayment plans of projects are matched by revising the agreements taking the business models prepared under detailed analysis into account. Furthermore, additional measures are also taken such as obtaining sponsor contribution, additional collateralization and/or generating cashflow via asset/share sales or are also being taken.

In the coming period, TSKB aims to provide non-operating cash flows in some restructured loans through public offering or direct sales. Within the scope of these efforts, TSKB aims to reduce the indebtedness of the relevant groups and make the loans payable in a healthy structure by taking advantage of the positive effect of the improvements in the economic conjuncture.

As of the end of 2019, 70% of Stage 2 and Stage 3 loans were restructured. The restructuring of most of these loans was completed in 2019. In the sector, during 2020 the restructuring of the non-performing loans is expected to continue.

The ratio of TSKB's non-performing loans, which is dominated by two big ticket loans, was 3.5% as of December 31, 2019. TSKB anticipates that its NPL ratio will be below the 2019 level in 2020.

#### CLOSE COOPERATION WITH DEVELOPMENT FINANCE INSTITUTIONS

As being one of the most well-known Turkish banks in the international financial markets, TSKB operates in close cooperation with the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), German Development Bank (KfW), Islamic Development Bank (IsDB), French Development Agency (AFD), International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), Japan Bank for International Cooperation (JBIC), Development Bank of Austria (OeEB), Asian Infrastructure Investment Bank (AIIB) and the China Development Bank (CDB).

TSKB continued its efforts to secure new financing sources from development finance institutions in 2019. During the year, the total volume of thematic loan agreements signed has reached to USD 300 million level.

#### CDB Loan

TSKB signed a loan agreement with the China Development Bank (CDB) with an amount of USD 200 million on September 11, 2019. This is the first loan extended by the CDB to Turkey under the guarantee of the Ministry of Treasury as well as being the first long-term resource provided by the CDB in Turkey.

The loan is provided as part of the Belt and Road Initiative, which is being carried out by the People's Republic of China, and aims to support manufacturing industry, SME, energy, infrastructure, health and education projects in Turkey.

#### AFD Women's Employment Loan

TSKB signed a EUR 85 million loan agreement with the AFD on November 8, 2019 to finance investments undertaken by companies which support gender equality and women's employment in the working environment.



## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

As a continuation of the women's employment and occupational health and safety loan signed with AFD in 2016, the loan aims to fund investments undertaken by companies which provide opportunities for women's employment in Turkey. The loan also shows the dedication of TSKB to support gender equality and women's employment.

#### European Bank for Reconstruction and Development (EBRD) Co-financing Agreement

On May 28, 2019, TSKB signed a risk sharing agreement with the EBRD in continuation of the "co-financing" cooperation of previous years. With this agreement, the EBRD will be able to provide a maximum of 50% financing to companies financed by TSKB. Under the agreement, the total volume of the EBRD portion could reach up to EUR 50 million.

#### STRONG RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2019, TSKB maintained close contact with local and international banks and continued to focus on enhancing its relations with banks in line with the goals of diversifying funds and product development. Furthermore, it pursued intensive and effective communication with rating agencies. A summary of TSKB's cooperation with international financial institutions in 2019 is provided below.

#### TSKB GMTN Programme

TSKB updated its "Global Medium Term Note Program" to 144A / RegS standards in order to add US investors to the potential investor base in a possible issuance. As of the end of 2019, Eurobond issuances, including

subordinated bonds, constituted a 22% share among TSKB's resources (excluding equity) with a total volume of USD1.3 billion.

#### Syndication Loan Facility

On July 9, 2019, TSKB signed a syndicated loan agreement with the participation of 12 banks including Citibank as a agent under the Coordination of Commerzbank. The syndication loan, amounting to USD 177 million, has a maturity of 367 days.

The loan was provided at a total cost of Libor+3%.

The Bank places importance on enriching its existing bilateral relations with domestic and international financial institutions and establishing new relations.

TSKB will continue to raise bilateral funding and structured finance facilities, by closely monitoring developments in the markets in 2020.

While developments in the markets will be closely monitored in 2020, the Bank will continue to evaluate the debt capital markets, syndication, bilateral loans, and structured borrowing opportunities in line with its cash flow management.

#### IN THE COMING PERIOD...

##### GOAL FOR FUNDING DIVERSIFICATION

TSKB will continue its efforts to secure funds from international and supranational development finance institutions in line with its future strategy in line with the priorities and needs of the country. In this context, in addition to the existing creditor institutions working in cooperation, TSKB will continue to research and aim to establish new relationships with new institutions such as the CDB who joined TSKB's creditors in 2019.

##### ACTIVITIES TO BE STEPPED UP WITH THEME DIVERSITY

In the recent years, TSKB has been working to diversify the themes of the funds it secured. New themes such as women's employment and supporting companies in priority development regions affected by the influx of Syrians under Temporary Protection (SuTP), have been developed and added to TSKB's financing spectrum.

TSKB became the first Turkish Bank to provide Ministry of Treasury and Finance guaranteed loans from the CDB with a funding agreement signed with the China Development Bank in 2019. With these loan additional resources were provided for the manufacturing industry, SME, energy, infrastructure, health and education projects currently supported by TSKB.

The funds to be secured in the coming period are intended to support the Sustainable Development Goals (SDGs), especially in innovative renewable energy and clean production. On the other hand, it is foreseen that the new resources to be provided will be diversified around themes and in a way to support the financing of the targets set out in Turkey's New Economic Programme and development plans, as well as to address the demand of private sector companies operating in Turkey.

In 2020, in addition to securing direct credit lines, TSKB will continue to expand its cooperation with the development finance institutions in alternative areas such as co-financing projects in line with its funding diversification and product development goals.

The longstanding cooperation with the international initiatives such as IDFC, D20-LTIC, ELTI, UNEP FI and ADFIMI, which the Bank is a member of, will be maintained effectively and with efforts to create value in line with Turkey's goals and requirements. The aim is to implement pioneering practices in order to increase awareness in the sector by following global trends and good practices among these initiatives. In 2019, the Bank became a Founding Signatory of the Principles for Responsible Banking of UNEP-FI and has been elected as the 10<sup>th</sup> member of the Steering Committee of the IDFC, which it has been a member since 2011.



## FINANCIAL CAPITAL 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB became the first Turkish Bank to obtain loan by the China Development Bank under the guarantee of the Ministry of Treasury and Finance.

### LONG TERM FUNDS SECURED BY TSKB 2014-2019

	Loan	Amount	Maturity
	Islamic Development Bank - Restricted Mudaraba Agreement	USD 220 million	15 year
	IBRD - Innovative Access to Finance Project Loan	USD 190 million and EUR 44.1 million	28 years
	Citibank - OPIC - SME, Energy Efficiency and Renewable Energy Loan	USD 40 million	4-8 years
	AFD - Sustainable Tourism and Innovative Energy Projects Loan	EUR 60 million	10 years
2014	EBRD - Resource Efficiency Loan	EUR 50 million	7 years
	Eurobond	USD 350 million	5 years
	KfW - Credit Line for Resource Efficiency and Environmental Measures in the Industry	EUR 150 million	12 years
	OeEB - Renewable Energy and Energy Efficiency Loan	EUR 20 million	12 years
	EIB - TSKB Energy and Environment Loan/A	EUR 100 million	12 years
	JBIC - Renewable Energy and Energy Efficiency Loan	USD 150 million	12 years
2015	EIB - TSKB Loan III for SMEs and Midcaps and Innovation/A	EUR 100 million	8 years
	Eurobond	USD 350 million	5 years
	IFC - Climate Smart Loan	USD 75 million	7 years
	IBRD - Geothermal Development Project Loan	USD 150 million	28 years
	KfW - Credit Line for Combat Against Climate Change	USD 150 million	15 years
	EIB - TSKB Loan III for SMEs and Midcaps and Innovation/B	EUR 100 million	8 years
2016	EIB - TSKB Energy and Environment Loan/B	EUR 100 million	12 years
	AFD - Women Employment and Occupational Health&Safety Loan	EUR 100 million	10 years
	CEB - SME Loan	EUR 100 million	7 years
	Eurobond (Green/Sustainable Bond)	USD 300 million	5 years
	TSKB Sustainable Tier 2	USD 300 million	10NC5
2017	IFC - Sustainable Climate Loan	USD 75 million	7 years
	EBRD - MidSEFF III (Mid-Size Sustainable Energy Financing Facility III) Loan	USD 85 million	7 years
	Eurobond	USD 350 million	5 years
2018	AIIB - Sustainable Energy and Infrastructure On-Lending Facility	USD 200 million	15 years
	IBRD - Inclusive Access to Finance Project Loan	USD 400 million	29 years
	CDB - Manufacturing sector, SME, Energy, Infrastructure, Health and Education Loan	USD 200 million	8 years
2019	AFD - Women Empowerment Loan	EUR 85 million	10 years

TSKB extends SME loans which contribute to employment growth through commercial banks and financial leasing companies.

### TSKB - APEX LOANS MAIN INDICATORS

Name of Program	Year	Amount Agreed	Number of Beneficiary Companies (As of 2019-end)	Current Status of the Program
<b>SME (Women Employment and Prioritized Regions)</b>				
Inclusive Access to Finance Project Loan (IncA2F)	2018	USD 200 million	109	Ongoing
<b>Supporting SME and Exports</b>				
Innovative Access to Finance Project Loan (IA2F)	2018	USD 250 million	33	Ongoing
Innovative Access to Finance Project Loan (IA2F)	2014	USD 250 million	231	Completed
<b>Supporting Exports</b>				
EFIL IV Supplementary Loan	2011	USD 300 million	137	Completed
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303 million	211	Completed
<b>SMEs</b>				
TSKB FUNDING**	2017	EUR 150 million	340	Ongoing
AKKB V APEX	2016	EUR 100 million	960	Completed
AKKB IV APEX	2013	EUR 100 million	416	Completed
AKKB III APEX	2010	EUR 100 million**	223	Completed
KfW APEX	2004	EUR 7.7 million	54	Completed
EIB APEX	2005	EUR 150 million	343	Completed

\*Part of the agreed amount (EUR 90.9 million) is extended as an APEX loan.  
\*\*Re-disbursement of paid-back loans

### THE LEADER OF APEX BANKING IN TURKEY

Being the pioneer of wholesale banking in Turkey, TSKB continued to transfer its thematic international wholesale banking funds to financial institutions in 2019. In addition to its existing cooperation with leasing companies and commercial banks under APEX banking, TSKB has also started to work with participation banks and factoring companies within the scope of the "Innovative Access to Finance Project Loan" (IA2F) secured from the World Bank in 2014.

TSKB completed the disbursements of the loan which was transferred by the Council of Europe Development Bank (CEB) under the same program in 2016 to finance

investments to create new employment opportunities and protect existing employment in micro, small and medium-sized companies.

In this context, 960 SMEs were indirectly provided funds through leasing companies.

TSKB re-disburses the successfully collected repayments of the past SME themed APEX loans, for creating funding to the leasing companies, commercial banks, participation banks and factoring companies. In this context, over the last three years, USD 230 million of funds from the loans collected were re-disbursed.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB started to transfer the part, amounted USD 200 million, of the Inclusive Access to Finance Project Loan (IncA2F) provided by the World Bank in 2018 to commercial banks and leasing companies as APEX loans.

So far, TSKB has carried out effective loan transactions in cooperation with 30 intermediary financial institutions under APEX banking. In 2019, the total of loans extended through APEX banking had reached USD 81 million and the share of such loans within the total portfolio stood at 8%.

#### Support to Exports

TSKB provided a total loan of USD 1.5 billion to approximately 900 firms under four different EFIL (Export Finance Intermediation Loan) programs and the IA2F program.

EFIL loans aimed to not only support operations to boost firms' exports but also create new business areas and increase employment. Under the "Innovative Access to Finance Project Loan (IA2F)" agreement, the working capital and investment expenditures of private sector SMEs and mid-size exporting companies operating around Turkey have been financed.

#### Support for Generating Employment

With the APEX loans, TSKB has provided a total loan of USD 300 million to 1,371 SMEs over the last three years. Thus, the total number of new employments generated amounted to 875.

TSKB carries the growth and development of companies to a higher level with its well-established Corporate Finance activities and reinforces its support for the country's development.

#### A STRONG START FOR 2020 WITH MORE THAN 10 PROJECTS

TSKB takes the growth and development of the companies to the highest level through its activities in the field of Corporate Finance. With its essential experience in this field, the Bank offers its clients fully fledged advisory and intermediary services on Initial Public Offerings, debt instrument issuances, mergers and acquisitions, asset sale and privatizations.

The CBRT's decision to cut the funding rate, the shift towards a perception of lower global risk and a decline in inflation had a positive effect in the markets in 2019. In the continuation of this environment, although a more active period is expected in the capital markets in parallel with the increase in investor risk appetite in 2020, the course of the BIST-100 index will have a clear impact on the initial public offering market. In this context, it is considered that 2020 will not prove a very productive year for medium- and large- size public offerings. Regarding mergers and acquisition transactions, both the number of transactions and ticket sizes decreased significantly in 2019, compared to the previous year.

In 2019, TSKB reorganized its Corporate Finance team and originated more than 10 new projects in various sectors as a result of its successful marketing activities. Corporate Finance team made a strong entrance to 2020 with one ECM and two M&A transactions.

TSKB Corporate Finance team has pioneered the establishment of Yatırım Varlık Kiralama A.Ş., a special-purpose company within the framework of CMB legislation, in order to act as lead arranger on Sukuk issuances. On December 27, 2019, Turkey's first sukuk issuance in natural gas distribution sector was successfully finalized at TL 150 million, exceeding the target issuance amount by 50%.

Corporate Finance activities which require stable market conditions are expected to gain momentum, especially in the second half of 2020.

With the support of the dynamic and entrepreneurial marketing approach of the Corporate Finance team, 2020 is projected to be a productive year, both on the basis of successful completion of existing and newly acquired mandates.

#### A MAJOR PLAYER IN THE MONEY MARKETS AND CAPITAL MARKETS

TSKB is an important player in the money and capital markets. Protectionist trends in international trade reflected worldwide since 2018 have raised global uncertainties and downward risks in the world economic outlook have been observed in 2019. With the resulting weakening of global growth outlook, inflation expectations have also come down. In such an environment, the central banks of developed countries continued to cut their interest rates and capital flows were observed to enter emerging markets, albeit to a limited extent. In Turkey, inflation came down rapidly, especially after the third quarter of 2019. In parallel with this, in the second half of the year the CBRT cut the policy interest rate, which it held constant in the first half of 2019 and decreased the policy interest rate from 24% at the beginning of the year to 12% in December.

In 2019, TSKB focused on maximizing returns, considering the risk factors of its balance sheet. On the other hand, the Bank offered the opportunity to protect corporations against financial risks with its derivative products.

#### A "Risk-oriented" approach in position and balance sheet management

Thanks to its flexible balance sheet structure, TSKB has taken the utmost care in managing risks while increasing its revenues by correctly evaluating the opportunities created. The Bank successfully managed its foreign currency position, considering risk factors and market conditions within the framework of treasury policies.

Thanks to its flexible balance sheet structure, TSKB has taken utmost care in managing risks while increasing its revenues by correctly assessing the opportunities arised.

With the aim of contributing positively to profitability during the year, the average volume of short-term TL placements in markets such as the Takasbank Money Market and the BIST Debt Securities Market more than doubled compared to the average volume of the previous year.

In 2019, TSKB funded almost the entire TL securities portfolio with the Bank's equity. In the same period, transactions in the swap market for TL-denominated liabilities management also became prominent. With the funding provided in this way, an effective cash flow management was realized and an advantage in total funding cost was achieved.

TSKB prefers to invest in risk-free and high-yield securities with eligible cash capital within the framework of its liquidity management plan. At the end of 2019, 68% of the Bank's TL-denominated securities portfolio was comprised of CPI-Linkers and other floating-rate securities while 32% was comprised of fixed-rate securities. The TL denominated securities portfolio had a maturity of 2.2 years and an average return of 17.2%. On the other hand, with the Eurobond purchases carried out in 2019, the efficiency of the FX denominated securities portfolio was increased.

Market volatility increased the need for financial protection and the Bank's proactive approach to its clients led to a successful performance in the volume of derivative transactions and treasury products sales. Daily bulletins, market reviews and a rich range of products are made available to clients.

In 2019, TSKB's risk management activities gained importance, both through its own balance sheet management and through its clients' derivative transactions. Careful liquidity management prevented the adverse effects of market fluctuations on the Bank's balance sheet.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

#### VALUE-ADDED SOLUTIONS SHAPED BY AN ADVISOR BANK PERSPECTIVE

TSKB offers the business world and investors the required value-added services through advisory solutions driven by its expertise in not only investment banking but also financial and technical evaluation, economic research (see Delivering Expertise and Experience) and sustainable banking.

TSKB Advisory Services, offers a wide range of services under one roof as Business Development and Advisory Management Office, Economic Research, Financial Advisory and Engineering and Technical Advisory departments, with the aim of managing the Bank's accumulated know-how and experience in economics, finance and engineering fields in an effective and quality manner in the field of advisory, as well as transforming that experience into economic benefit and income diversification.

Through advisory services, TSKB aims to emerge as a long-term partner for its clients in line with its strategic goals.

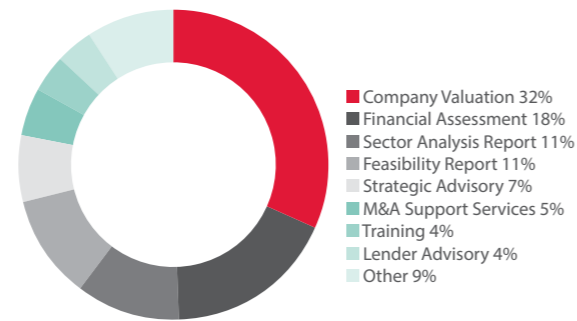
TSKB provides;

- **Financial analysis**, financial planning and strategy, M&A support, restructuring services and training services under strategic financial advisory,
- **Technical analysis and due diligence**, project management, energy and efficiency, operational excellence, environment, climate and sustainability advisory, within the scope of technical advisory
- **Macroeconomics**, export strategy, sectoral review, ESG advisory and training services within the scope of economic research.

The Bank carries out some of its services, which are shaped by its advisor bank approach, through synergistic cooperation with its subsidiary companies TSKB Real Estate Appraisal and Escarus. In this context, the Bank directs domestic and foreign investors with visionary advisory services offered in the field of real estate, while presenting tailor made solutions in the process of integrating world-accepted approaches in the field of sustainability into the Turkish business world.

**177%** surge in the amount of TSKB's advisory services contracts in 2019

#### ADVISORY CONTRACTS SIGNED IN 2019 BY PRODUCT TYPE



#### TSKB successfully completed 61 advisory projects in 2019

In 2019, TSKB undertook 61 advisory projects in different sectors and product types and successfully completed these projects.

There was a 177% increase in advisory services contracts in 2019 compared to the previous year. TSKB is determined to improve its advisory services in the coming period and to offer its experience and knowledge to an increasing number of clients with its multidisciplinary service strength.

By embodying its experience and knowledge with the consolidated and inclusive approach of its financial, technical and economic analysis competence, TSKB will continue to diversify its support for sustainable and strong development in the period ahead.

#### WORKING SIMULTANEOUSLY ON NUMEROUS STRATEGIC, IT AND PROCESS IMPROVEMENT PROJECTS

TSKB carried out works on digitalization, innovation, customer satisfaction, service quality and compliance within the framework of the corporate architectural principles and the targets set out in its strategic plan. Some of the highlights of these works are presented below.

R&D and project design studies regarding digitalization and innovation had been performed on the axes of organizational/ human resources, customer/ marketing, products/services and process/technology. Pilot applications had been implemented within the scope of robotic process automation (RPA). The projects identified for the implementation of the Agile Management Model were carried out with the agile working methodology. TSKB process management model and application has been revised in order to follow banking processes in an effective and integrated structure. Arrangements have been implemented in order to ensure that business continuity and emergency applications are more effective.

In the IT infrastructure, the spotlight has turned to new technology and integration projects which will support TSKB's strategic goals. With the application prepared with new software technologies, multi-dimensional monitoring of customer information was provided. A mobile application has been developed for sales teams. Infrastructure improvements in data warehouse and reporting systems, investments in information security, and improvements have been made in systems to prevent attacks and leaks.

TSKB will continue its R&D and project design works on digitalization and innovation in the coming period. Implementation and improvement of the Agile Management Model, the application of Robotic Process Automation for new subjects, implementation of dialogue-based robot infrastructure, infrastructure supporting mobility and computer transformations are among the planned activities.

TSKB's business processes will be adapted to the new model and improvements will be made in the light of the security in IT infrastructure and the use of new technologies. Revision studies based on new technologies will continue in banking applications. On the other hand, information security improvements are planned with the application of security solutions to prevent harmful software.

TSKB has carried out its efforts on digitalization, innovation, customer satisfaction, service quality and compliance within the framework of the corporate architectural principles and the targets envisaged in its strategic plan in 2019.

#### Information Security Work

Within the context of Information Security works, the data classification solution had been applied to the entire Bank to increase the effectiveness of DLP systems. A special Cyber Intelligence Solution has been adopted for TSKB to tackle cybercrime and malware, and works on its integration with other security products are continuing.

Improvements in log management products will be carried out within the scope of the Cyber Incident Response Process. In order to increase the effectiveness of the security controls carried out during the year and to become more battle-prepared for ongoing attacks, efforts will be carried out to adapt the globally recognized security control sets to TSKB's systems.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB's total market capitalization has reached TL 3.4 billion (USD 573 million), marking an annual increase of 50%. Foreign investors had a 55% share of the Bank's actual shares in circulation.

#### TSKB STOCK PERFORMANCE AND INVESTOR RELATIONS ACTIVITIES IN 2019

Having been one of the key players in the formation of capital markets in Turkey, TSKB offered its shares to public in 1986. TSKB shares are listed on the BIST Stars under the ticker "TSKB". Furthermore, TSKB retains its position on BIST Corporate Governance Index and BIST Sustainability Index. TSKB's free float ratio is 38.6%.

The Borsa Istanbul stock market rebounded after having tumbled in the first half of 2019 amid political uncertainties, with the support of the stabilization process in the economy and the expansionary monetary policy implemented by the CBRT in the second half of 2019. In 2019, BIST-100 index surged up by 25% to 114,425, while the banking index ended the year with a 36% jump to 160,169. TSKB shares, on the other hand, started the year at TL 0.81 level and surged by nearly 50% to TL 1.21 with a positive decoupling from the BIST-100 and the banking index.

TSKB shares recorded an average daily trading volume of 33 million lots. The Bank's total market capitalization was TL 3.4 billion (USD 573 million), with a foreign ownership ratio of 54.9% in its free float. As of the year-end, its price-to-book ratio was recorded at 0.69 and price-to-earnings ratio stood at 4.8.

TSKB is covered by 16 brokerage houses. Nearly 20% of the investors met throughout the year consisted of new investors. During the year, teleconferences informing investors and analysts continued to be held following the announcement of the financial results each quarter and questions were answered in detail based on a transparency driven approach. Investor presentations of TSKB are available on the Bank's website.

In line with market conditions, increasing the number of investor meetings is targeted for 2020. At the same time, efforts to enhance TSKB's recognition, visibility and liquidity in the market and to expand its investor base will continue within the framework of its investor relations activities.

#### TSKB MARKET CAPITALIZATION



	2016	2017	2018	2019
TSKB Closing Share Price (TL)	0.98	1.20	0.81	1.21
Change (%)**	10.7	23.0	-32.7	50
BIST Banking Index	129,549	171,378	117,737	160,169
Change (%)**	8.0	32.3	-31.3	36
BIST 100 Index	78,139	115,333	91,270	114,425
Change (%)**	8.9	47.6	-20.9	25.4
Relative to BIST Banking Index (%)	2.4	-7.1	-2.0	9.8
Relative to BIST 100 Index (%)	1.6	-16.7	-14.9	19.2

Source: Finnet

\*Retrospective closing prices are adjusted in line with the cash dividends and capital increase through bonus issues after the relevant dates

\*\*Year-to-date change



## FINANCIAL CAPITAL

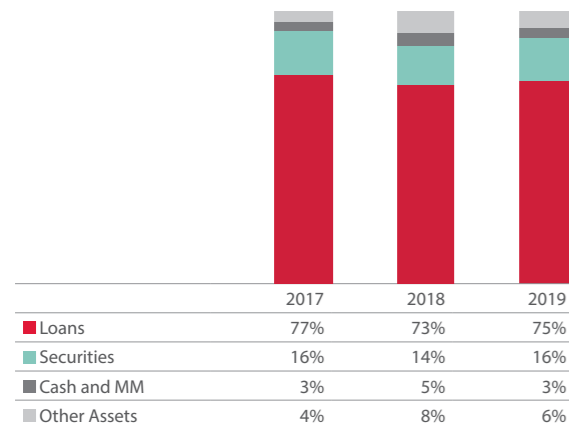
### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

#### ASSESSMENT ON FINANCIAL STANDING, PROFITABILITY, SOLVENCY & 2020 FINANCIAL PROJECTIONS

In 2019, TSKB focused on maintaining its healthy balance sheet structure, effective risk and liquidity management, and strong equity growth, in addition to continuing to support the country's economy. The Bank's total assets grew by 9.7% in TL terms reaching TL 42 billion. The asset size in dollar terms stood at USD 7.1 billion as of the same period. 23% of the Bank's assets are in Turkish Lira and 77% are in foreign currency (FX). The Bank's interest-bearing assets to total assets ratio standing at 92% indicates strong solvency of the Bank.

In 2019, the Bank continued to support major investments in the Turkish economy by allocating a total of USD 1.4 billion of new loans, USD 650 million of which is cash loans. Parallel to the Bank's funding structure, 90% of Bank's loan portfolio is comprised of FX loans. The cash loan portfolio, which grew by 12.5% in 2019 to TL 31.4 billion, remained flat on an FX adjusted basis. The share of gross loans in total assets has risen to 74.8% as of 2019 year-end compared to 72.9% as of 2018 year-end.

#### TSKB'S ASSET COMPOSITION



#### The share of sustainable loans in TSKB's total loan portfolio is 74%.

Investment loans account for 70% of the Bank's loan portfolio and 22% correspond to working capital loans, in line with the Bank's mission banking. The rest was comprised of loans extended through wholesale banking (APEX Banking). Within the total loan book including FX-Indexed loans, 48% was denominated to Dollars and 42% to Euros.

Electricity generation and distribution projects stood out among new loan disbursements of 2019. A sectoral breakdown of loans indicated that 36% and 14% of loans were allocated to the electricity generation and finance, respectively. The metal and machinery, electricity and gas distribution, logistics, chemistry and plastics, construction, tourism, real estate, food-beverage and the education and health sectors are evenly distributed with each sector accounting for 3-9% of the loans. Energy and resource efficiency projects had a 5% share in the Bank's total loan portfolio. The share of sustainability themed loans in the total loan portfolio was 74%.

In accordance with the Regulation on Procedures and Principles for Classification of Loans and Provisions to be set aside, the share of Stage 3, 4 and 5 loans, which were classified as non-performing loans in total loans averaged 0.3% in 2013-2017 and stood at 2.1% as of 2018 year-end and 3.5% as of 2019 year-end.

In 2019, the surge in non-performing loans was due to the transfer of one project finance loan, which had been followed in the stage 2 loans in the previous periods, to the stage 3 loans due to the longer than expected restructuring process. With respect to that particular loan, the syndication banks and the independent advisor came to a final stage at the restructuring process, and the letter of offer was signed in December. The ratio of stage 2 loans was 10.8% as of 2019 year-end. Within the scope of Restructured Loans Management, the Bank's loan risk amounting to USD 538 million in 20 companies belonging to 13 groups was restructured in 2019.

The Bank was focused on enriching its relationships with international banks in line with its funding diversification and product development targets in 2019.

#### CREDIT PORTFOLIO BY THE END OF 2019 ACCORDING TO IFRS

	Share in Total	Coverage Ratio
Stage I	85.7%	0.6%
Stage II	10.8%	10.3%
Stage III	3.5%	32.1%
Total	100.0%	2.8%

The Bank's provisioning policy is in line with IFRS 9 Principles, which were started to be implemented at the beginning of 2018. Coverage ratio of stage 2 loans, which have a 10.8% share in total loans, was 10.3% on average. Coverage ratio of stage 3 loans, which had 3.5% share in the total portfolio, was 32.1% on average.

The securities portfolio had the second largest share in assets after loans with a 16% weight. The total volume of securities rose by 21.4% year-on-year to reach TL 6,651 million. At the end of the year, 67% of the securities portfolio was comprised of TL securities, 61% was made up of securities available for sale and 39% was comprised of securities held to maturity. A comparison of the beginning of the year with the year-end indicates that the percentage of "Inflation-Indexed Securities" in the TL portfolio increased from 47% to 54%, while the weight of total "Floating Rate Securities" including CPI-linkers rose from 67% to 73%. The duration of the portfolio, which is almost entirely funded by Bank's free equity, is 2.3 years.

Parallel with the asset composition, 82% of the liabilities of the Bank's balance sheet consist of FX liabilities. Funds received reached TL 26,347 million, expanding by 11.8% year on year. Almost all of this funding consists of medium-and long-term funds provided from abroad in foreign currency. 73% of this funding were secured with the guarantee of the Turkish Ministry of Treasury and Finance.

The Bank focused on enriching its relationships with international banks in line with its funding

diversification and product development targets in 2019. A loan agreement amounting to USD 200 million was signed with the CDB to finance manufacturing, industry, SME, energy, infrastructure, health and education projects throughout Turkey, under the guarantee of the Turkish Ministry of Treasury and Finance.

Meanwhile, a loan agreement was signed with the AFD amounting to EUR 85 million, along with financing investments made by companies in Turkey that promote gender equality in the working environment and support women's participation in employment. A Risk Sharing Facility was signed with the EBRD allowing up to USD 50 million of co-financing with TSKB.

A syndicated loan agreement amounting to USD 177 million was signed on July 9, 2019 with the participation of 12 banks from 12 different countries. The redemption of the Bank's USD 350 million Eurobond issuance was realized in October 2019. In the first days of 2020, TSKB issued a Eurobond in the international capital markets with the size of USD 400 million which was 10 times oversubscribed.

The Bank does not carry interest mismatch or liquidity imbalances, given the dominating share of floating rate assets and liabilities in the balance sheet not expose to effective balance sheet management and relatively longer maturity of its funding compared to its loans. Due to matched currency structure of the loans extended and funding that is used to extend these loans, the Bank bears a negligible currency risk.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

# 20.1%

TSKB's shareholders' equity expanded by 20.1% to TL 5.7 billion compared to the previous year.

TSKB's shareholders' equity went up by 20.1% compared to the previous year to TL 5,667 million and its share in the total liabilities surged from 12.3% to 13.5%. As of 2019 year-end, the capital adequacy ratio (CAR) was 17.8% on a bank-only basis and 17.4% on a consolidated basis. These levels are well above the legal limit of 12%. TSKB's tier-1 ratio was 12.4%.

The Bank's free equity, which is entirely consist of liquid assets, amounted TL 4.1 billion, indicating a free equity-to-total assets ratio of 9.7% as of 2019 year-end.

An analysis of the Bank's Income Statement finds that net interest income in 2019 marked an increase of 10.2% to TL 1,932 million. The net interest margin edged down from 4.6% to 4.2% in 2019 in line with the budget estimates due to the significant changes in the USD / TL exchange rate, interest rates and inflation figures, as well as contraction in the CPI linkers' income. Total personnel and other operating expenses rose by 23.8%

# 17.8%

TSKB's capital adequacy ratio stood at 17.8% on a bank-only basis and 17.4% on a consolidated basis.

to TL 201.5 million. Although the cost to income ratio was lifted from 10.8% to 13.4%, it was maintained well below the sector average of around 35%.

The total sum of donations and charity undertaken by the Bank during the year amounted to TL 180,400. Total expenses incurred for the social responsibility projects stood at TL 637,600.

TSKB's profit before provisions and tax in 2019 fell by 4.1% to TL 1,353 million, while its net profit surged up by 6.2% to TL 702 million given the 8.4% contraction in provision expenses. In 2019, Bank's return on equity and return on assets stood at 13.5% and 1.8% respectively. The Bank's return on tangible equity is calculated as 16.1% when the shareholders equity is adjusted by excluding the impact of mark-to-market valuations of its listed affiliations.



## FINANCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



	2019 Guidance	2019 Figures	2020 Guidance
<b>Financial Guidance (Bank Only) (%)</b>			
FX Adjusted Loan Growth	Flat	<b>Flat</b>	3.0-5.0
Loan/Assets Ratio	~75	<b>75</b>	~75
Fees&Commission Growth	>35	<b>57</b>	>50
OPEX Growth	<25	<b>26</b>	<20
Net Interest Margin (adj.)*	~4	<b>4.2</b>	~4
Return on Tangible Equity**	14-15	<b>16.1</b>	>16
Return on Assets	1.5-1.7	<b>1.8</b>	1,7-1.9
Cost/Income Ratio	13-14	<b>13.4</b>	<15
Capital Adequacy Ratio	>15	<b>17.8</b>	>18
Tier I Ratio	-	<b>12.4</b>	>12.5
Stage II Loans Ratio	-	<b>10.8</b>	Flat
Loans in Follow-Up	<5	<b>3.5</b>	<3.5
Net Cost of Risk	~130 bps	<b>126 bps</b>	<100 bps

\*Swap adjusted.

\*\*Tangible Equity (TE) = Shareholders' equity – MtM valuations of FVOCI portfolio

TSKB targets fx adjusted loan growth of 3% -5% in 2020. In parallel, the share of loans to its assets is expected to remain at 75%.

**3%-5%**  
FX adjusted loan growth

**75%**  
Loans to assets ratio

As a result of the organizational changes carried out last year, TSKB aims to increase the fees and commissions income by more than 50% with the support of the Bank's advisory activities, which gained importance in its service range.

Advisory services gaining importance

**+50%**  
Fees and commission growth

Thus, TSKB aims to have return on assets of 1.7%-1.9% and return on tangible equity of more than 16%. The NPL ratio, which was 3.5% in 2019, is expected to fall below this level.

**1.7%-1.9%**  
Return on assets

**+16%**  
Return on tangible equity

## CAPITALS

### HUMAN CAPITAL



**TSKB'S EMPLOYEES AND ALL ASSOCIATED STAKEHOLDERS WITH WHOM IT COOPERATES CONSTITUTE ITS HUMAN CAPITAL**

#### THE BUILDING BLOCK OF SUSTAINABLE PERFORMANCE

Competent human resources are one of the most important factors ensuring that TSKB's strong performance is sustainable.

In order to ensure business processes are even more effective, the Bank conducts regular activities on many issues in the field of human resources ranging from continuous development, measurement-evaluation-rewarding systems and strengthening career architecture to recruitment, vocational and managerial training programs, various open communication channels with employees and strong employer brand studies.

#### In this section

Investing in Human Resources  
The TSKB Technology and Entrepreneurship Platform  
Reverse Mentoring and Young Consultants to the CEO  
Strong Employer Branding  
Sustainability Workshop  
Training Programs at TSKB  
Become a Partner to the Future Program  
Investment in Human Resources

**SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS HUMAN CAPITAL**



## HUMAN RESOURCE DEVELOPMENT IN 2019

In 2019, an agile work methodology was applied in three trials in addition to the goal of ensuring human resources work more efficiently.

#### Human resources projects in 2019

Within the scope of consultancy received in 2018, an interactive methodology was established in performance management system which aims to increase harmony between business lines and cooperation with corporate goal system. TSKB tried to make sure the key performance indicators provide the link from organizational vision to individual action where KPIs cascade each respective level in Bank, accelerating from the Corporate Score card and affecting all employees individual score cards. With the balanced score card methodology, strategic management performance metrics are used to identify and improve various internal business functions and their resulting external outcomes is aimed with numerical and measurable key performance indicators throughout all the departments.

The competencies were withdrawn from the performance system and integrated into the career development model.

360 Degree Feedback Survey is based on a competency model consisting of three levels from a variety of points: Basic, Managerial and Functional. This model gives feedback for developmental purposes, providing it to employees to assist in developing work skills and behaviour patterns. Therefore, all the employees were expected to prepare a behaviour-oriented development plan regarding these feedbacks and to focus on developing at least two competencies. This study helped expand the competence-based concrete feedback culture in the Bank.

In this respect, the Bank defined each skill title and completed each employee's mapping. While the Technical Knowledge and Skills Library is supported and followed by employees' horizontal career movements, it has been put into practice to determine the development and technical training needs of the employees.

In 2019, within the scope of TSKB's organizational development plans, potential evaluation inventories including their readiness for one step forward and leadership assessment questionnaires were filled by all banking staff. In the following process, 360-degree feedback assessment survey was completed by the managers considering the succession plan and in aim to develop his/her successor.

After all the assessments and evaluations, all TSKB employees got feedback during one-to-one interviews regarding their competencies, potential and strengths; where the basis for the Individual Development Plans has been established. In the final stage, TSKB employees, together with their managers have determined two competencies for their development and are ready to participate in customized competency-based development plans.

With the all evaluations and assessments, TSKB in the human resources constitute an input for 9 box (performance and potential matrix) studies. With the 9 box chart, TSKB examines talent within the organization and gains a perspective of looking at the relationship between the performance of individuals and their potential for the future and succession plans.

The Internal Transfer Project, which supports horizontal career movements within the scope of providing technical knowledge diversity and the opportunities for career moves, offered 29 employees the opportunity for different roles in other departments, and the Rotation Project gave two employees the opportunity to gain experience for a specific period in different departments.

Since 2017, volunteer HR Representatives in every department have been communicating their opinions and feedbacks to the HR department and acting as a bridge in the transparent transfer of HR practices to the teams. Periodic meetings with HR Representatives to transfer the questions, opinions and feedbacks of the departments continued in 2019. The TSKB Human Resources team liaises with the departments separately and will continue to inform all departments of human resources functions, standards and new practices in 2020.

To strengthen teamwork and cooperation, outdoor training activities were conducted among the departments that ranked below the average within the scope of the internal Customer Satisfaction Survey.



## HUMAN CAPITAL HUMAN RESOURCE DEVELOPMENT IN 2019



### Flexible Working Hours and Remote Work models

In order to adapt to changing working conditions and to improve efficiency, a Flexible Working Hours Model started to be implemented throughout the Bank since January 2019. The flexible working utilization rate at the Bank is 70%. The remote work model, which was launched as a trial in December among research departments, is planned to be rolled out across the Bank in 2020.

### Working towards an agile organization

In 2019, the agile work methodology was applied in three trials, to complement the goal of human resources to work more efficiently. It is seen that agility, which is a working method, is reflected in our business as flexibility, efficiency, speed, ability to learn and result-orientedness. The organizational agile transformation strategy and objectives were transferred to the senior management and HR representatives in order to spread the agility culture. In addition, business units in agile projects participated in various training programs. TSKB aims to expand the agile culture within the Bank and increase the number of agile projects with volunteer Agile Coaches in 2020.

### TSKB Technology and Entrepreneurship Platform

The TSKB Technology and Entrepreneurship Platform, which was established in 2018 in cooperation with the Turkey Entrepreneurship Foundation, with the aim of keeping up with the rapid change taking place in the world and developing new ways of doing business and innovative perspectives, brought together the expert banking experience of young and innovative bank employees under the age of 30 years with the entrepreneurial spirit and excitement of representatives from the Entrepreneurship Foundation. A total of 11 different teams and respective projects were arised.

The journey started with the Entrepreneurship Day in November 2018 with the participation of TSKB employees, angel investors, entrepreneurs and Entrepreneurship Foundation representatives. The project teams participated in training programs on different thinking techniques and working models throughout the studies.

After 6 months, the number of project groups was reduced to 8 following the preselection screening by the Entrepreneurship Foundation authorities. Three projects were deemed worthy of awards after presentations carried out by eight different

TSKB is engaging with young talents at a very early stage of their career, at their university years. After their graduations, best talents among interns who had a real work experience in TSKB, have chance to be recruited as junior associate.



teams on various themes such as infrastructure, transportation, education, innovative retail solutions, waste management, sustainability rating platform, and the platform of bringing entrepreneurs and investors together.

### Projects Worthy of Award within the Scope of the Platform

- Inovasyonix, which is designed to provide intra-organizational entrepreneurship as an online and offline 15-week long training and start-up development program.
- Symbiot, which provides physical data and digital data to produce innovative retail solutions, and offers customer-specific personalized analysis
- The Sustainable Development Goals Rating Platform, which aims to provide a transparent flow of information between the producer and the consumer, from the production process to the end consumer, with the certificate it has issued.

The Sustainable Development Goals Rating Platform project continues within TSKB with an expanded team.

In addition to developing projects within the scope of TSKB Technology and Entrepreneurship Platform, TSKB hosted two entrepreneurs in 2019 in the series of inspiring speeches.

### Reverse Mentoring and Young Consultants to the CEO

The Reverse Mentoring and Young Consultants to the CEO projects which were launched in 2018 continued



in 2019 as well. Within the scope of the projects aiming to make mutual learning be continuous and enable leaders and senior managers to stay in touch with their organisations and the outside world. Also, junior employees have an opportunity to understand and be heard by more senior and experienced people. Three Young Consultants team, who regularly meet with the CEO of TSKB, Suat Ince, share their opinions and advises on chosen trends and topics all over the world such as Fintech, Data Culture, Archiving and Increasing Digitalization.

### Strong Employer Branding

In 2019, within the scope of Strong Employer Branding activities, TSKB employees participated in various courses and programs at eight different universities and presented TSKB. These TSKB employees transferred their technical know-how during the courses, and also shared their experiences about how they reflected the academic knowledge into daily business.

### Sustainability Workshop

TSKB has been bringing together university students with members of the academia, TSKB, and Escarus employees and organizing the "Sustainability Workshops", which is the first literacy program on sustainability, and aims to raise sustainability awareness, in cooperation with Escarus, the Bank's subsidiary. Students from various departments such as business administration, economics, architecture and industrial engineering participated in the workshop which was held in Özyeğin University in 2019.

**HUMAN CAPITAL  
HUMAN RESOURCE DEVELOPMENT IN 2019**

The 2019 theme of the Sustainability Workshop was "Climate Change and the Business World: Risk or Opportunity for Companies?". During the workshop, university students or, in other words, future decision-maker carried out case studies in the leadership of expert participants from the TSKB and Escarus, addressing the issue of sustainability.

**Interaction with Young Talents**

TSKB is engaging with young talents at a very early stage of their career, during their university years. Providing university students with long-term internship opportunities, TSKB offers trainees the opportunity to start working as junior associate after their graduation.

After the internship period, which is very similar to real work experience, interns have the chance to start working as a junior associate upon graduation. After their graduations, best talents among interns who had a real work experience in TSKB, have chance to be recruited as junior associate.

**Update on the Training Catalogue**

Until the year 2019, the objective of the catalogue training was to support the competency development of competency of the employees. With the new approach in 2019, competency development has been made the subject of individual development plans with scope of organizational development activities.

The focus of the Training Catalogue, which is one of the most important tools of the continuous development goal, has been updated and enriched with trend issues such as Mindfulness, Mind Mapping, Networking, which the employees will benefit in daily life as well as in business life.



TSKB will resolutely sustain investments in its human capital and its multidimensional development in the upcoming period within an approach considering the requirements of the Bank's corporate strategy.

**Strengthening the TSKB family with the participation of 47 new employees**

Within the scope of the recruitment activities carried out in 2019, a total of 47 new employees, including 11 new graduates and 36 experienced employees, joined the TSKB family. Additionally, 15 interns were hired for part-time internship program.

**Bonus payments to employees**

Bonus payments are made once a year on the condition that the strategies and long-term objectives of TSKB are adhered to, and risk management structures are taken into consideration. To this end, a gross incentive bonus of TL 11,969,268 was paid to 243 employees in 2019 for their 2018 successful performance results evaluated by TSKB Performance Management System.

**Highlights from the 2020 human resource targets**

TSKB will resolutely sustain investments in its human capital and its multidimensional development in the upcoming period within an approach adhering to the requirements of the Bank's corporate strategy.

The steps to be taken in this context are as follows;

- To adapt the results obtained from four main systems (Performance Management System, 360 Degree Feedback on Competencies, Technical Knowledge Skill Management and Potential System) to the Bank in a short space of time and most efficiently,
- To simplify HR processes and increase their visibility and effectiveness,
- To provide a modern, contemporary infrastructure and mobile&desktop applications that will have an integrated structure in all HR related platforms of employees,
- To invest in HR applications software to boost a culture of feedback and open communication while making it available to TSKB employees in 2020.

TSKB offers various programs at all levels to develop their managerial skills and prepare its employees for the future.



**TRAINING PROGRAMS AT TSKB**

TSKB aims to provide the development of its employees with tailored training programs.

In line with this goal, the Bank carries out various training and development activities in order to improve both technical and professional knowledge of its employees as well as their personal skills and competencies. The average training time per employee was 39 hours in 2019.

Training programs are offered to TSKB employees on various topics in addition to trainings which are mandatory to be provided, as well as technical and vocational training. Orientation and mentoring system processes are implemented in order to ensure that employees who are new to TSKB are able to adapt to the organization rapidly.

TSKB offers its employees a range of different programs each level in order to improve their managerial skills and get them ready for the future. In this context, one-to-one coaching is provided for department managers and training programs are held abroad to improve leadership skills. "Leaderships Acceleration and Development" was one of the most important themes in development planning in 2019.

**THE "BECOME A PARTNER FOR THE FUTURE" PROGRAM**

Following the potential evaluation and 360 Degree Feedback Assessment studies carried out in 2019, TSKB will ensure learning becomes continuous in 2020 with the motto "Become a Partner to the Future", and will

begin its journey of development that has a widespread and integrated structure.

Under this program, department heads will be included in the Leadership Development Program, senior managers and managers will be included in the Managerial Development Program, and the senior manager and the rest of the banking staff will be included in the Competency Development Program.

This program, prepared within the framework of the "Learning Agility" theme, which is main concept of the competencies, will be mandatory for sub-managerial titles and will be accessible to all title groups. A holistic development-learning model will be implemented within the scope of the program, where a transfer of information is provided through online information, pre-tests and post-tests, action studies and also with practical in-class, face-to-face workshop trainings.

Within the scope of organizational development activities at TSKB in 2020, high-potential and high-performance employees will be supported with leadership-based studies; technical training abroad for experts, and remote learning training for all employees. Within the framework of the Individual Development Plans which will be prepared for employees, training programs are also designed to provide competency development as well as technical and professional development.

**Employee Engagement and Satisfaction is the Priority**

TSKB believes that the most successful business development is carried out through the observations and evaluations of the people in an institution. For that purpose, employee satisfaction surveys are conducted periodically at TSKB.

With these surveys, TSKB regularly measures the level of satisfaction and engagement of its employees and takes action in line with its improvement goals by providing a routine platform where its employees are able to submit their thoughts and feedbacks.

In 2019, 322 people responded to the employee engagement and satisfaction survey. The survey participation rate was 87%. In 2018, 329 people

## HUMAN CAPITAL HUMAN RESOURCE DEVELOPMENT IN 2019

had responded to the employee engagement and satisfaction survey with a participation rate of 85%.

TSKB's efforts to improve employee engagement are also reflected in the survey results.

The following points were noted when comparing the surveys for 2018 and 2019;

- Employee engagement increased by 1.8 percentage points in the last one year.
- Job satisfaction reached the highest score in both years.
- There was an increase in the career planning score, which was one of the weakest areas in 2018. Career planning was also the area to record the most progress compared to the previous year.
- The second most significant increase in progress compared to the previous survey was trainings and professional/personal development.
- An improvement was observed in almost all fields, including career planning, collaboration and teamwork, inter-departmental communication and performance management, which were identified by HR as priority development areas for 2019.

- The systematic studies and professional consultancy which TSKB has implemented since 2017 supported the emergence and acceleration of leaner and more transparent results in these areas.

As a result of the workshops, the competencies were rewritten, removed from the performance system and made a component of development. As a result of this study, the TSKB Performance System now has a structure consisting of more measurable targets.

Implementing practices on an egalitarian basis without taking any differential approach in human resources processes, TSKB continues to be a pioneer in the financial sector, having published its Equal Opportunity Policy at the beginning of 2019.



To access the policy text:  
[http://www.tskb.com.tr/i/assets/document/pdf/TSKB\\_Equal\\_Opportunities\\_Policy.pdf](http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf)

### TSKB AND ITS SUBSIDIARIES - MAJOR DEMOGRAPHICS

Number of Employees - As of 31.12.2019	TSKB	TSKB Real Estate Appraisal	TSKB GYO	Escarus	Yatırım Finansman
<b>Female</b>	174	45	6	7	56
<b>Male</b>	148	56	4	4	65
<b>21-30 (years of age)</b>	89	39	3	4	30
<b>31-40</b>	156	58	5	4	36
<b>41-50</b>	66	4		3	50
<b>51+</b>	11		2		5
<b>Headquarter</b>	320	56	10	11	78
<b>Branch</b>	2	45			43
<b>Elementary School</b>					2
<b>High School</b>	1	10	1		2
<b>College</b>	3	8			2
<b>University</b>	204	70	7	3	93
<b>Masters</b>	112	13	2	7	21
<b>PhD</b>	2			1	1

## HUMAN CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



2019 Targets	2019 Realizations
In 2019, the scope of the Development Workshop is planned to be redesigned with a focus on leadership development.	<b>In 2019, Potential Evaluation and 360 Degree Feedback Survey covering all Bank staff were carried out.</b> The results have served as a valuable input for development planning and training programs.
Starting in 2019, the scope of the work will be expanded in the form of the creation of personalized development plans. The process will progress with a comprehensive development follow-up and the work on training catalogue will continue with the perspective of keeping employees up-to-date on the subjects and topics that are trending around the world.	<b>Competency development and training in this scope are included in Organizational Development Studies. Competence development activities are carried out through inventory studies and individual development plans.</b> Competency choices were made and their designs were completed in 2019. The Competency Development Program will take place in 2020.  <b>In 2019, the training catalogue was renewed with trending topics which will benefit daily life as well as business life, and was offered to all employees under six different training titles.</b>
In 2019, strong employer branding activities will continue on various platforms in regarding the recruitment of fresh graduates.	Within the scope of strong employer branding activities, TSKB members visited eight different universities in 2019. Providing university students with long-term internship opportunities, TSKB offers trainees the opportunity to start working as junior associate after their graduation.
Executive candidates are planned to participate in training programs such as "Basic Occupational Health and Safety", "Sustainability", "Corporate Governance, Ethics and Tackling Corruption and Bribery", "Business Continuity", "Prevention of Laundering Proceeds of Crime and Financing of Terrorism", "Personal Data Protection", "Competition Law", "Risk Management" and "Information Security Awareness" in addition to vocational training related to banking, conducted by internal and external trainers.	<b>In line with the recruitment policy, inexperienced employees were recruited at various times in 2019.</b> In this context, training was provided on an individual basis or collectively depending on need, rather than through a common program.
Implementation of the Development Programme (coaching and training abroad programmes) structured for managers will continue in 2019 and 2020.	The structured development program for managers continued in 2019.

## HUMAN CAPITAL GOALS AND KEY PERFORMANCE INDICATORS



### 2019 Other Performance Indicators

The TSKB Technology and Entrepreneurship Platform was established to encourage entrepreneurship culture within the Bank and the first term was completed.

In 2019 preparations for the training platform were completed to support the development of the entire Bank's staff with the integrative learning methods.

In 2019, the remote working model started to be tested and will be rolled out across the entire Bank in 2020.

In 2019, Robotic Process Automation (RPA) tests were undertaken.

The TSKB Technology and Entrepreneurship Platform was established to encourage entrepreneurship culture at TSKB and the first term was completed.

**49%**  
The ratio of women in management

**54%**  
The ratio of women among total employees

**18%**  
The ratio of women on the Board of Directors

**79%**  
Employee engagement score

**39 hours**  
Training per employee

**2%**  
High performance employee turnover rate\*

**87%**  
Participation rate in employee satisfaction survey

**2% increase**  
The increase in employee loyalty, performance management, training and development satisfaction rate in the Employee Satisfaction Survey when compared to 2018

\*Turnover rate among high performance employees.

### Future Targets

**An increase in employee efficiency by conducting R&D and project design studies on digitalization and innovation throughout TSKB.**

The Bank aims to enrich Robotic Process Automation with new processes in 2020.

The Bank aims to spread the agility culture throughout the Bank in 2020 with volunteer Agile Coaches from within the Bank and to increase the number of agile projects.

In 2020, HR Applications software will be purchased to offer a modern, contemporary infrastructure which will be used by employees, will manage processes in an integrated structure and embed a culture of feedback and open communication.

**Increase our employees' engagement through training and development programs and alternative projects in line with their competencies and potentials.**

In 2020, the Bank aims to start international and/or domestic programs and one-to-one coaching activities selected from high-reputation institutions on leadership for those employees with high potential and high performance.

In 2020, under the new development program program, managers will be included in the "Leadership Development Program", senior managers and managers will be included in the "Managerial Development Program", and senior managers and the rest of the banking staff will be included in the "Competency Development Program".

The Bank aims to adapt the results of the four main systems consisting of the Performance Management System, the 360 Degree Feedback Survey, Technical Information Skill Management and Potential System to the Bank in the most efficient way in 2020.

**To increase the motivation of employees to innovate in different fields of interest and subjects.**

**Maintaining our focus on equal opportunity across the Bank**



## CAPITALS

### NATURAL CAPITAL



#### THE POSITIVE AND/ OR NEGATIVE IMPACTS OF THE BANK'S OPERATIONS ON NATURAL RESOURCES CONSTITUTE TSKB'S NATURAL CAPITAL.

##### A PROCESS THAT BEGAN IN THE NEW MILLENIUM

TSKB's prioritization of natural capital elements began in the early 2000s with the integration of the concept of sustainable banking in the Bank's activities.

TSKB's external impact assessment process and methodology provide added value to the institution, society and the environment in the areas outlined below.

- Increasing renewable energy investments in the country
- Reducing carbon emissions and energy needs through efficiency loans
- Raising awareness among all stakeholders, especially clients
- Providing a positive impact to the country and society with the positive contributions of financed projects to the environment and social life
- Strengthening the Bank's sustainable banking image
- Regular measurement and reduction of effects out of our internal process

##### In this section

Sustainability Management System  
Sustainability Policy  
Sustainability Organization  
Initiatives supported by TSKB  
The ERET Model  
Zero Carbon Banking  
TSKB and Climate Change - Risks, opportunities and management approach  
Internal impacts - Key indicators  
Risks identified by TSKB regarding climate change

#### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS NATURAL CAPITAL



## THE TSKB SUSTAINABILITY MANAGEMENT SYSTEM

TSKB supports Turkey's sustainable development with its products and services.

#### AN EFFECTIVE MANAGEMENT SYSTEM COVERING ALL OF TSKB'S BUSINESS PROCESSES

In parallel with the development of the concept and perception of sustainability throughout the world, TSKB has achieved a first in the Turkish market and adopted sustainability from its mission to its business model and processes from end to end.

TSKB supports Turkey's sustainable development with its products and services. In this context, the Bank has structured its Sustainability Management System (SMS) to cover all its business processes in order to reduce the environmental and social impacts as a result of its banking activities and support the Turkey's transition to a low carbon economy.


#### The Sustainability Policy forms the basic framework of the TSKB SMS.

TSKB published its Environmental Policy in 2006. In 2012, the Bank expanded the scope of the Environmental Policy and revised it as Sustainability Policy.

As of the end of 2019, the TSKB SMS is managed under the Sustainability Policy dated February 26, 2015.

The Bank supports the Sustainability Policy with complementary policies. In the annex of the TSKB Environmental and Social Impact Policy, one of the complementary policies, the Unfunded Activities List, was published and the sectors which TSKB does not finance on behalf of responsible banking are listed.

TSKB published the Climate Change Declaration in 2016. The declaration sets out how TSKB's main activities are consistent and managed with the climate change strategy.

 TSKB SUSTAINABILITY POLICY  
<http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy>

#### TSKB'S SUSTAINABLE BANKING POLICIES

##### TSKB SUSTAINABILITY POLICY

##### Complementary Policies:

- TSKB Environmental and Social Impact Policy List of Activities That Are Not to be Financed
- TSKB Occupational Health&Safety Policy
- TSKB Human Rights Policy
- TSKB Sustainable Procurements Management Policy
- TSKB Anti-Bribery and Anticorruption Policy
- TSKB Anti-Bribery and Anti-Corruption Program

#### SUSTAINABILITY COMMITTEE

All sustainability work across the organizational structure is managed by the Sustainability Committee, which is comprised of three Board Members and three Executive Vice Presidents. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.

#### For more inclusive, effective and synchronized results

In 2019, a structural change was made in the management of the TSKB Sustainability Committee. In this context, the Executive Vice Presidents of the Bank's main activities, such as Project Finance, Corporate Banking, Corporate Communication, Credit Allocation and Monitoring, Budget Planning, Financial Institutions and Development Finance Institutions were selected as Committee members.

This structural change was aimed at planning and managing the Bank's basic strategies and targets, and ensuring the Committee's work and objectives were more inclusive, effective and synchronized.

The activities of the Sustainability Committee are supported by the Sustainability Subcommittee and working groups, where representatives from different departments of TSKB are active members.

## NATURAL CAPITAL

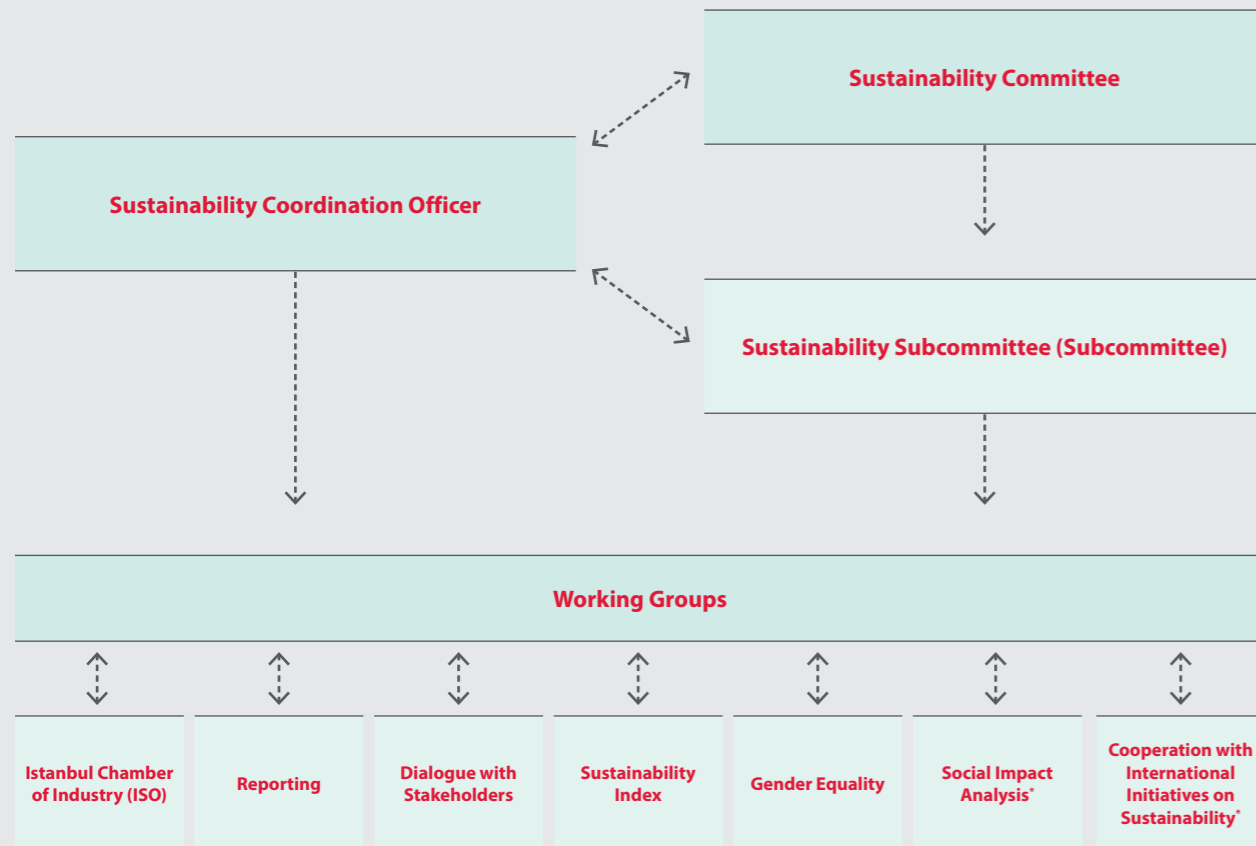
### THE TSKB SUSTAINABILITY MANAGEMENT SYSTEM

#### Sustainability Subcommittee

The Sustainability Subcommittee was established to roll out sustainability operations to the entire Bank and integrate them with all business processes in parallel with the vision, strategy, goals and business plans of the Bank on sustainability and climate change. Composed of the managers of various departments, Sustainability Subcommittee reports to TSKB's Sustainability Committee.

The Sustainability Subcommittee determines clear and measurable annual targets and these targets are reflected in the performance assessment of all participants. The internal coordination of sustainability activities at TSKB is carried out by the Sustainability Coordination Officer.

#### TSKB'S SUSTAINABILITY STRUCTURE



\*Established In 2019

## 7 Working Groups

Sustainability activities at TSKB were carried out by 7 different Working Groups affiliated to the Sustainability Subcommittee in 2019.

#### Sustainability Subcommittee Working Groups 2019 activities

Sustainability activities at TSKB were conducted by 7 different working groups affiliated to the Sustainability Subcommittee in 2019.

#### Highlights from the Activities of the Working Groups

**The ISO Management Standards Working Group** ensured that the Bank successfully completed the ISO 14001 and ISO 14064 audits through its activities in 2019.

**The Reporting Working Group** oversaw the coordination of the sustainability reports published by the Bank, in particular the 2019 Integrated Annual Report. The Group represented the Bank at the Future for the Finance Awards.

**The Stakeholders Dialogue Working Group** carried out the communication activities of the Bank's sustainability efforts, continued to carry out zero carbon activities and shared information through the posts on the sustainability themed portals.

**The Sustainability Index Working Group** has managed relations with the BIST Sustainability Index and international evaluation companies. Within the scope of the evaluations carried out, it coordinated the improvements and work that should be implemented within the Bank. With the support of the efforts implemented, TSKB remained in the BIST Sustainability Index in 2019.

**The Gender Equality Working Group** chaired the IDFC Gender Equality Working Group, where TSKB served on the Board of Directors in 2019.

Sustainability working groups held a number of meetings during 2019 within the scope of their projects.

As a result of both developing activities and international good practice and requirements, two new working groups were created in TSKB in 2019.

The purpose of the Social Impact Analysis Working Group, established in early 2019, is to accelerate the impact of TSKB's sustainable banking activities. In addition to working towards measuring the social risks of the financed projects, the Group also identifies actions to increase the social benefits of the investments (contribution to the economy, support for women employees) and carries out the necessary studies.

The Working Group on Cooperation with International Initiatives on Sustainability, which was established at the end of 2019 and will start working in 2020, was formed in order to determine the resource requirement for the studies to be carried out in the international and supranational financial institutions and organizations that the Bank cooperates with such as the IDFC, UNEP-FI, TCFD, UNGC and the IIRC and to organize the work.

The appointment of members to the Working Groups are carried out by the TSKB Executive Committee. As of the end of 2019, 10% of TSKB's employees had taken part in sustainability working groups. The Sustainability Committee targets are distributed to every employee in this organization and taken into account within the scope of employee performance evaluation.

One of the common goals of the working groups is to organize internal training programs and information meetings in order to ensure the capacity development of all TSKB employees on sustainability.

## NATURAL CAPITAL

### The ERET Model

#### INITIATIVES SUPPORTED BY TSKB

TSKB is a signatory of many declarations and principles within the scope of its sustainability commitments.

- IDFC Climate Declaration
- European Long-Term Investors (ELTI) - COP21 Declaration on Transition to a Low Carbon Economy
- Women's Empowerment Principles (WEPS)
- Joint Statement on Energy Efficiency issued by the EBRD and UNEP FI
- Global Compact Turkey - Declaration of Sustainable Finance
- UNEP FI Responsible Banking Principles (Founding Signatory)

#### MANAGEMENT OF ENVIRONMENTAL AND SOCIAL IMPACTS ARISING FROM LENDING ACTIVITIES

In line with the principles of Responsible Banking, TSKB pays special importance to the objective assessment of the potential risk and impact arising in the environmental and social evaluation of the projects.

This process requires a thorough assessment; the extent of the environmental and social impacts posed are addressed in cooperation with investors prior to lending. In the light of the findings obtained as a result of the project evaluation, the issues that need to be

In the ERET model, the potential environmental impacts of projects such as waste, emissions, noise, as well as the project's impacts on stakeholders, expropriation methods, physical and economic displacement are also being assessed.

ERET Model is prepared on the basis of standards set by institutions such as the IFC and the World Bank and seamlessly overlaps with the criteria in Equator Principles.

managed and the actions that need to be taken are determined and shared with the investors. At TSKB, lending starts when all of these processes have been carried out and the project risk management plan is completed.

As a representative of an knowledge banking culture, TSKB has also undersigned a pioneering perspective/ approach in environmental and social risk assessment. Upon the initiation of the loan process, the related plans are followed up by TSKB engineers and/or independent environmental and social consultants. TSKB meticulously monitors the implementation of these plans and manages the environmental and social risks of the projects it finances.

#### ERET, designed in 2005, has been implemented for all investment projects which TSKB has focused on since 2007.

The ERET Environmental and Social Risk Assessment Tool was designed in 2005 and developed with the aims of;

- resetting the competence and experience difference between experts in the environmental and social risk category of a project,
- ensuring a consistent and standardized methodology,
- executing performance evaluation over cause and effect relationships,

Subsequently, it has been applied to all investment projects which are eligible for financing by TSKB regardless of the investment amount and/or credit limit.

In the ERET model, the potential environmental impacts of projects such as waste, emissions, noise, as well as the project's impacts on stakeholders, expropriation methods, physical and economic displacement, etc. are also being assessed.

A sustainability approach which meets the environmental, social and OHS standards of development finance institutions is applied in all investment projects financed by the ERET Model. Furthermore, the ERET Model is prepared on the basis of standards set by institutions such as the IFC and World Bank and seamlessly overlaps with the criteria in Equator Principles.

#### A model with a multi-disciplinary evaluation structure

The model, which consists of 45 questions under five main headlines, is based on the investigation of the environmental and social impacts and potential legal and financial liabilities arising from the investment project evaluated by TSKB and the other activities of the project owner with an existing and forward perspective.

According to the environmental and social risk score obtained as a result of the assessment, the means of how to reduce and monitor the impacts is structured within a plan prepared in cooperation with the investor.

The environmental and social rating methodology of the ERET model is constantly under review by TSKB teams, and weight of the high-risk subjects are increased in the calculation process according to changing conditions, thus ensuring the risk subjects have greater prominence.

With the revision in 2015, the weight of social issues in the model has been elevated further to the increasing awareness along with the acceleration of social impact measurement.

The results of the Model's annual evaluation are publicly reported on the Bank's website.

The ERET model is a very powerful tool which TSKB uses for effective management of environmental and social risks. The ERET model, which has been applied since 2007 and has been updated in accordance with ongoing requirements, has contributed to the project evaluation process and also made it possible for TSKB to build a deep intellectual capital and knowledge base in this area. Besides, environmental and social risk assessment also helps to raise awareness in the institutions financed. With its ERET Model, TSKB generates value which is compatible with the principle of creating responsible income for both the Bank and its stakeholders.

#### 2019 ERET RESULTS

	Company	Project
High risk <b>A</b>	4	3
Medium-sensitive risk <b>B+</b>	15	13
Medium risk <b>B-</b>	31	23
Low risk <b>C</b>	2	13

ERET, which measures the environmental and social risks of the company's pre-investment activities and investment subject to TSKB financing separately, realizes its risk classification in 4 different categories in parallel with international standards.

For category A projects defined as high risk category, the investor company is expected to prepare, implement and report an environmental management plan that complies with international standards by using an independent consultant in addition to the measures and practices determined by current regulations.

For projects in category B+ and B-, defined as medium risk categories, as medium risk categories, the investor company is expected to prepare, implement and report an environmental management plan in accordance with international standards in line with the measures and practices determined by the existing regulations.

#### TSKB also addresses environmental impacts from its operational activities within the scope of SMS.

TSKB meticulously manages the environmental impacts arising from its operations. In the work carried out within the scope of SMS, resource consumption such as electricity, water, natural gas, etc. is followed periodically and efforts towards reduction targets are implemented. Variations in natural gas and electricity consumption caused by climate change are evaluated with susceptibility.

TSKB also aims to increase the rate of waste brought to the economy by sending it to recycling facilities with its waste management plan. Awareness studies are carried out with the aim of reducing waste per person. All new TSKB employees are trained in the Sustainability Management System and the concept of sustainability is adopted.

The Bank performs all relevant work under the ISO 14001 Environmental Management System Standard. TSKB, which has held the ISO 14001 Certificate since 2007, aims to ensure that it will continue to hold the ISO 14001 certificate.

**NATURAL CAPITAL**  
**ZERO CARBON BANKING**

**TSKB has switched to the zero-carbon banking in 2008.**

Climate change poses the biggest threat to the future of humanity. A rapid transition to a low carbon economy is required to ensure a sustainable world.

Following globally developing trends with its pioneering identity, TSKB started to measure its carbon footprint in 2006. The carbon footprint measurement was reviewed in 2008 by an independent consultancy company and the Bank consequently launched its zero-carbon banking project after the consultancy company issued its report. TSKB, which calculates greenhouse gas emissions from its operational activities and resets them through voluntary carbon markets, brought the carbon neutral - zero carbon banking model into practice.

The Bank has been operating in line with the ISO 14064 Greenhouse Gas Accounting and Verification Standard since 2012.

Efforts to contribute towards reducing emissions for the financed projects are carried out as part of the SMS. In this context, the grid emission factor for Turkey is calculated in accordance with international scientific methods, and the contribution to a low carbon economy is measured through funded projects.

**TSKB's conception of carbon-neutral banking**

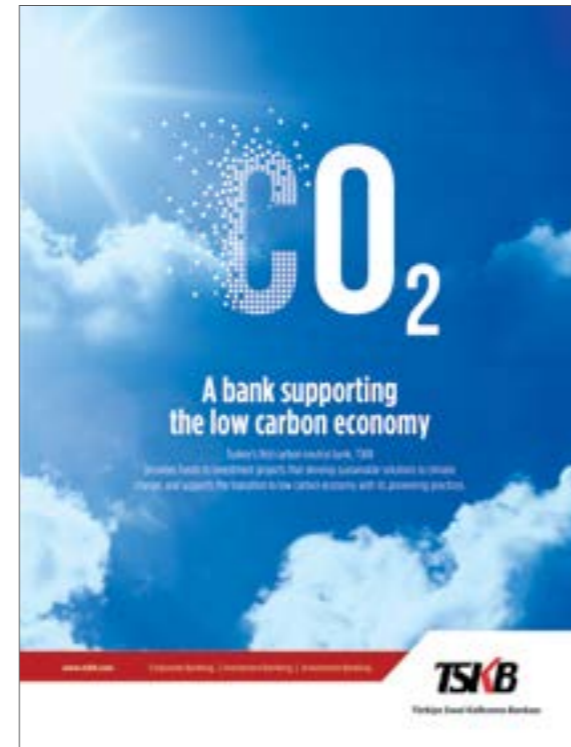
- Measuring carbon emissions and having accounts verified by independent organizations,
- Designing strategies and projects to mitigate carbon emissions,
- Offsetting emissions through voluntary markets and contributing to capacity development on the matter both inside and outside the organization.

Strategic reduction targets covering the 2009-2010 period have been established in order to reduce consumption in areas such as lighting, natural gas and business travel, which are all sources of emissions. As of 2009, the Bank started to receive electricity from renewable energy sources within the framework of this strategy. This project, which was realized during periods when the limit of being a free consumer was at a level similar to the consumption of producers in the industry, stands as a testament to TSKB's vision and priorities.

**The carbon neutral stand approach carried over to social projects**

TSKB not only applies the carbon neutral approach internally, but also transposes it to the social projects it conducts. The Bank aims to raise a common awareness on climate change and the mitigation of the carbon footprint as well as improving the awareness on the matter. TSKB purchased Gold Standard Carbon Certificates for more than 4,500 tonnes of carbon in the last 5 years in an effort to offset emissions from banking operations. The Bank backs the fight against climate change by resetting carbon emissions. Resources such as wind power and landfill gas are used in offsetting the carbon footprint.

In addition to the sustainability workshop, TSKB sponsored the "Women Stars of Tomorrow" concert within the framework of the IKSV Istanbul Music Festival during 2019, along with the "Equal Opportunity for Inclusive Development" conference, the TSKB&KfW 50<sup>th</sup> Year of Cooperation Cocktail and FI Cocktail events, and approximately 20 tonnes of carbon emissions were offset.



**NATURAL CAPITAL**  
**TSKB AND CLIMATE CHANGE**

TSKB handles its actions to tackle climate change within the scope of its sustainability strategy.

**RISKS, OPPORTUNITIES AND THE MANAGEMENT APPROACH**

The negative impacts of climate change are becoming more evident day by day. Such negative impacts manifest themselves locally and globally in the depletion of water resources, increased floods, forest fires, drought and desertification, deterioration in access to food and the related ecological and social structures. These developments will pose serious threats in the short, medium and long term, as well as bring valuable opportunities if planned well.

**TSKB is awarded the highest climate score in the Turkish finance sector by the Carbon Disclosure Project (CDP)**

TSKB has implemented many firsts and pioneering practices in the Turkish financial sector in transition to a low carbon economy and became one of the first stakeholders of the Carbon Disclosure Project (CDP), which is one of the world's most important initiatives in the field of climate change.

TSKB, which has won the leadership award in past years within the scope of the CDP and which has been reporting in the field of climate change since 2011, was one of the highest rated Turkish financial institutions in 2019 with a "B" rating.

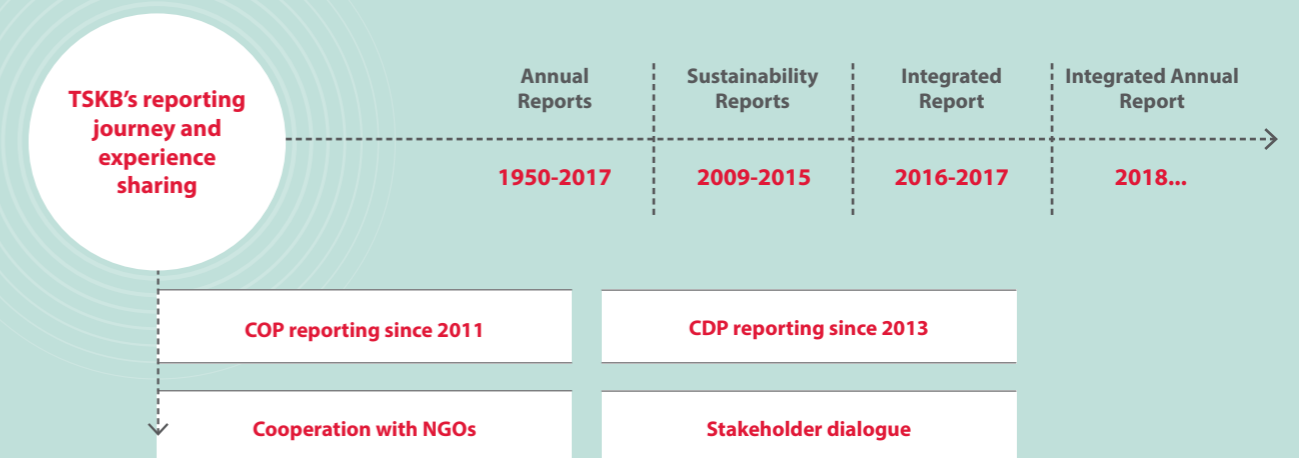
**Climate change and TSKB's Sustainable Banking Strategy**

TSKB handles its actions to tackle climate change within the scope of its sustainability strategy. Believing that the formula of qualified development is directly related to sustainable banking, the Bank's sustainable banking strategy is based on three foundations.

- 1- To support Turkey's sustainable development model
- 2- To assume a role in combating climate change
- 3- To contribute to Turkey's transition to an industrial structure which is based on a low carbon economy

TSKB's strategy in this area accommodates not only the management of climate change-related matters but also the evaluation of the relevant risks and opportunities. The Bank executes its sustainability vision and strategy within an accurately-set, efficient sustainability structure and delivers it in its daily service processes.

**TSKB'S REPORTING JOURNEY HAS DEVELOPED IN PARALLEL WITH ITS SUSTAINABLE BANKING MISSION.**





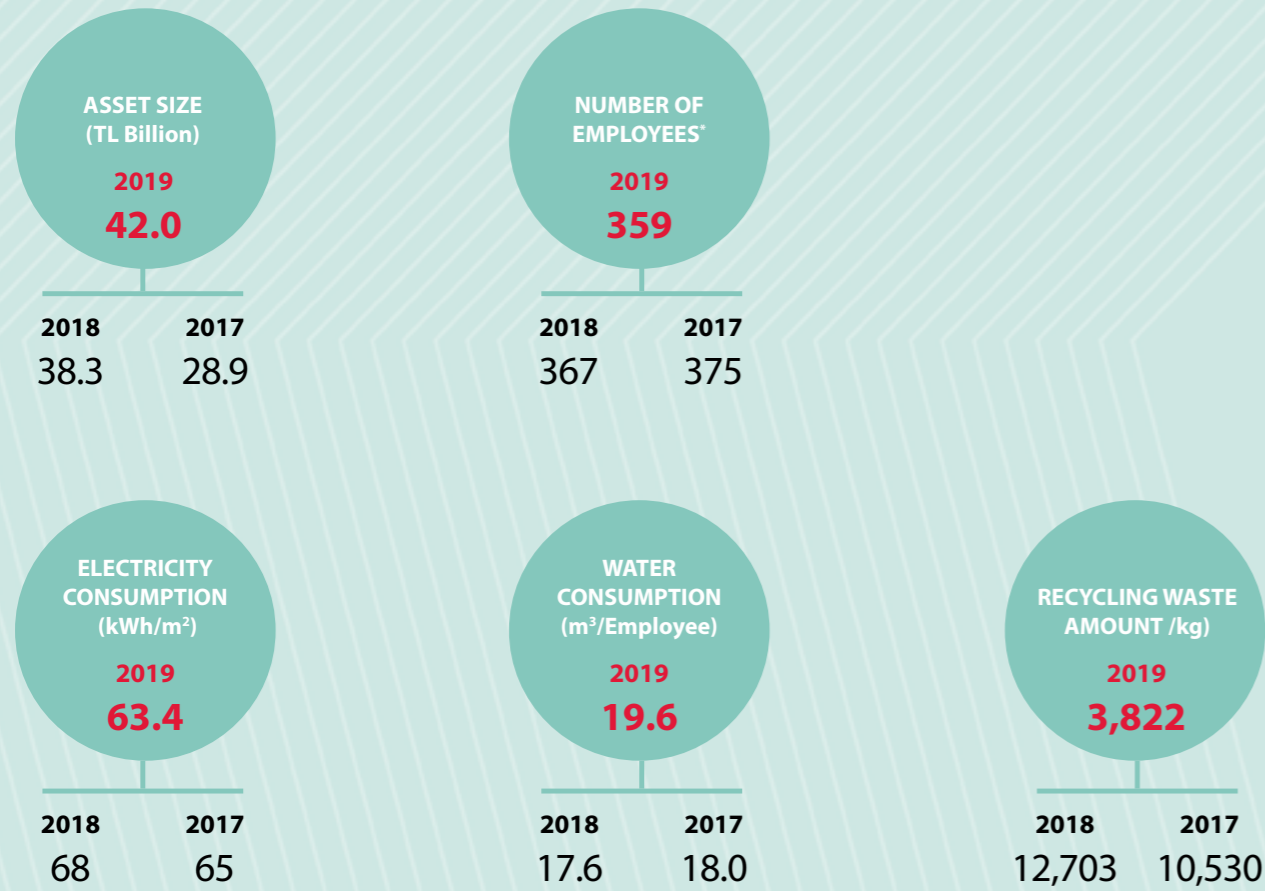
## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### INTERNAL IMPACTS-KEY INDICATORS

TSKB vigilantly manages environmental impact stemming from its operations. Under the Sustainability Management System operations, electricity, water, natural gas, etc. resource consumption levels are monitored periodically and relevant precautions as a result of such measurements for reducing consumption are taken.

CO<sub>2</sub> emissions from internal activities are calculated according to international standards and actions are taken to reduce emissions.

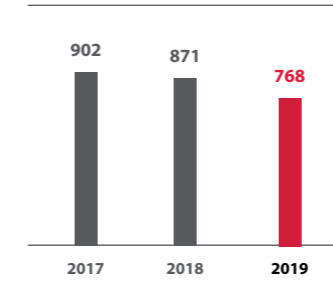
TSKB targets to raise the amount of waste recycled every year in an effort to grow the contribution to the economy pursuant to its own waste management plan.



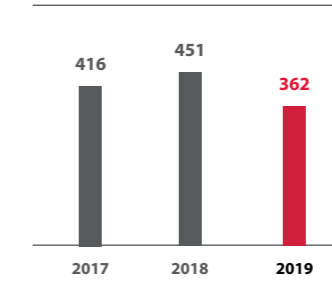
**TSKB targets to raise the amount of waste recycled every year in an effort to grow the contribution to the economy pursuant to its own waste management plan.**

\*Annual average number of employees taken into consideration in ISO calculations

### tCO<sub>2</sub>e EMISSIONS



### tCO<sub>2</sub>e EMISSIONS (Scope 1)\*

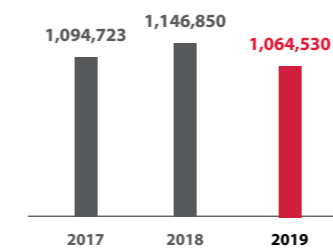


### tCO<sub>2</sub>e EMISSIONS (Scope 2)\*\*

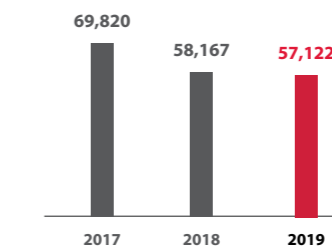
**2016, 2017, 2018 = 0**

Since TSKB uses renewable energy in all of its service buildings, its carbon emission is zero.

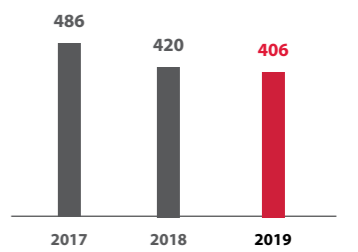
### ELECTRICITY CONSUMPTION (kWh)



### NATURAL GAS CONSUMPTION (m<sup>3</sup>)

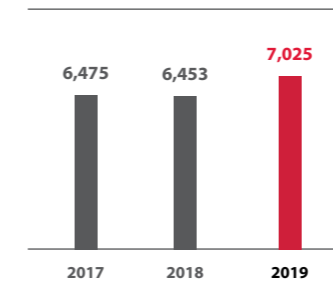


### tCO<sub>2</sub>e EMISSIONS (Scope 3)\*\*\*

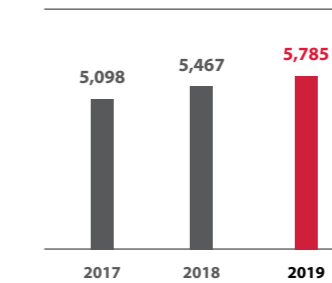


The heating and cooling activities of the buildings directly affects the total electricity and natural gas consumption. Thanks to technologies applied so far, average consumption level is under control. Total emissions of the Bank have been recorded at the lowest levels of the last 3 years in 2019, where the cooling gas leakages were realized at minimum.

### WATER CONSUMPTION (m<sup>3</sup>)



### PAPER CONSUMPTION (kg)



Due to the longer period of irrigation in 2019 summer, the average water consumption per employee appears to be elevated.

Due to construction works such as renovation, relocation of departments etc., the level of waste recycling had been higher in the previous years.

\*Scope-1 Direct Emissions: Emissions from greenhouse gas emitting sources owned and directly controlled by an institution. Greenhouse gas emissions from natural gas consumption, company vehicles, power generators, cooling groups, ventilation and firefighting systems constitute examples for Scope-1 emissions.

\*\*Scope-2 Energy Indirect Emissions: Emissions from the generation of electricity, heat or steam purchased externally by an institution. These emissions are emissions from the raw materials purchased externally in the form of energy such as the electricity purchased.

\*\*\*Scope-3 Other Emissions: Greenhouse gas emissions which are externally purchased by an institution besides energy and are not directly controlled thereby. Such emissions emanate from outsourced activities and are emitted at source. Examples for Scope-3 emissions include, among others, emissions from personnel transportation services, taxi and bus travels, flights for business trips and paper consumption.

**NATURAL CAPITAL  
TSKB AND CLIMATE CHANGE**

**TSKB'S RISK IDENTIFICATION ON CLIMATE CHANGE**



**RISK MANAGEMENT AND ACTIONS TAKEN**

A working group on ISO 14001&14064 was established under the SMS. The group tracks the carbon footprint from domestic consumption. It implements action plans aiming to reduce impacts and suggests goals to improve performance. It periodically monitors and reports performance outcomes.

**TSKB, HANDLES THESE RISKS UNDER A STRATEGIC OVERVIEW WITHIN THE SCOPE OF MANAGEMENT MODELS**



**RISK MANAGEMENT AND ACTIONS TAKEN**

TSKB plans to take part in financing investments aimed at mitigating the impact of climate change through its sustainability-themed funds.

**MEDIUM-AND LONG-TERM CLIMATE CHANGE RISKS AND OPPORTUNITIES**

**Incentive mechanism for renewable energy investments in Turkey**

**Risk management and actions taken**

The assumption that renewable energy investment incentives will expire in 2020 and the actions that power generation companies will take are under study.

TSKB reviews the projections of the companies in its credit portfolio based on the scenario in which the incentive mechanism will be terminated.

**Extreme weather events might have negative implications on the investments in TSKB's portfolio.**

**Risk management and actions taken**

Extreme weather events and changes including, but not limited to, hurricanes, cyclones and changes in precipitation regimes may have negative implications on the investments in TSKB's portfolio.

TSKB manages this process by carrying out field visits, monitoring climate conditions in the basin and setting out production projections that are updated continuously. Water scarcity is another issue related directly to climate change, demonstrating that both the world and our country will soon face severe problems in this area.

TSKB is focused on managing this risk through the funding products for energy efficiency and resource efficiency. In addition, it closely monitors relevant technological advancements and works with customers on new financial solutions. Climate change leads to negative projections specifically regarding hydropower plants. As well as the financial risk of its energy portfolio, TSKB also monitors the climate risks encompassing drought and basin management.

**CLIMATE CHANGE POLICIES TURKEY PURSUES**

Ahead of the COP21 summit, Turkey shared its Intended Nationally Determined Contribution (INDC) target on September 30, 2015 under its emission mitigation strategy. Accordingly, while Turkey's greenhouse gas emissions were projected to rise from 440 million tonnes in 2012 to 1,175 million tonnes by 2030 under current conditions, they will be reduced to 929 million tonnes of greenhouse gas emissions (a decrease of 21%) if systematic measures are taken.

TSKB monitors Turkey's relevant policies to shape its climate change strategy.

**TSKB'S PROJECTION**

Climate change investments in Turkey will be ramped up in the coming period, paving the way to new business opportunities such as carbon trading and climate finance.

## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### Turkey's position on platforms tackling the global climate change and TSKB'S action

Having declared its Intended Nationally Determined Contribution, Turkey underlined its commitment to the Paris Climate Agreement. The Agreement has yet to be ratified by the Turkish Grand National Assembly. TSKB has closely monitored and supported Turkey's entire negotiation processes.

Considering the matter from the perspective of financial institutions, clarification on carbon trading, carbon tax and access to climate finance in Turkey will only come after these processes are completed. This issue, which will create an opportunity for Turkey to outsource the theme of tackling climate change, is being followed meticulously.

Climate action is an important item on the agenda of the TSKB Sustainability Committee. The Bank acts on a mission of securing funds for Turkey and closely monitors the Conference of the Parties (COP) attended by country delegations, public and private sector players and a broad range of NGOs.


In 2015, TSKB actively attended the COP21, where the Paris Agreement was established, thus witnessing the contribution made by various parties as well as the structuring of the Paris Agreement. Since then, the Bank has been regularly attending all COP conferences. This allows TSKB to follow the relevant global agenda. The Bank's employees share TSKB's and Turkey's experience on climate change and finance on various platforms as panelists and speakers. The Bank takes advantage of the opportunity to update its operations by following up on different interpretations and approaches.

An important formation from the COP23 in 2017 was the Talanoa Dialogue. In Pacific languages, Talanoa means "transparent dialogue". Countries, private sector organizations, NGOs and other organizations submit their contribution documents to the database for the Talanoa Dialogue (<https://talanoadialogue.com>), including the current situation on negotiation process for voluntary anti-climate change action, the goals set and the main instruments to be employed for fulfilling those goals.

TSKB acts upon a mission to secure funds for Turkey and closely monitors the Conference of the Parties (COP) attended by country delegations, public and private sector players and a broad range of NGOs.

In 2018, TSKB contributed to the Talanoa Dialogue by submitting its best practices and activities on Climate Change Prevention/Adaptation through TUSIAD. This contribution document included the emission reduction quantities supported through the green bond, energy efficiency, resource efficiency and renewable energy investments.

The contribution submitted by TUSIAD to the United Nations - Talanoa Dialogue database was published on the United Nations Framework Convention on Climate Change (UNFCCC) website on November 6, 2018.

 Talanoa Submission of TUSIAD  
<https://unfccc.int/documents/183837>

In 2019, TSKB actively participated in the COP25, the final summit before the start of implementation of the Paris Agreement. The Republic of Turkey Pavilion participated as a panelist in the "10 years Countdown to 2030" TUSIAD event. In the panel entitled "Banks acting as market influencers to enhance the common practice" sustainable finance practices at our Bank, the UN-principles of Responsible Banking, internationally known declarations and memberships, the interaction with BCSD, information on Turkey's current situation and the positive diverging position of our Bank in the perspective of climate change prevention and adaptation were shared. Key agenda items of the summit included the 2020 climate actions, carbon markets, loss-and-damage mechanisms, the oceans and the terrestrial ecosystem.

## TSKB AND SUSTAINABILITY INDICES

### Borsa Istanbul Sustainability Index

TSKB is a member of the BIST Sustainability Index of the Borsa Istanbul, which consists of publicly traded shares of companies with high corporate sustainability performances.

The Borsa Istanbul designates the companies to be listed in the index according to the results of an assessment conducted around their environmental policy, environmental management systems, biodiversity policy, climate change management, board of directors structure, anti-bribery policy, anti-bribery systems, human rights policy, human rights systems and health and safety systems.

The BIST Sustainability Index was launched in 2014 with companies from the BIST-30 index. In 2015, the constituents were enlarged to cover BIST-50 companies and TSKB also underwent the assessment process and was consequently granted a place in the index following this evaluation.



TSKB has been trading in this index since November 2015 and has been carrying out improvements in its policies within the framework of index rules, international regulations and good practices.

**Sustainability Indices are indicative tools for investors seeking to invest in companies which adopt sustainability and corporate social responsibility principles.**

Joining such indices not only displays TSKB's approach towards sustainability related matters, but also ensures that the Bank's decisions and operations on sustainability are acknowledged.

TSKB, which meticulously manages the environmental impacts arising from its operational activities and focuses on revealing the positive effect it produces with environmentally friendly practices in every possible area, bought its first 100% electric and environment friendly vehicle in the last quarter of 2019.





## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

2019 Targets	2019 Realizations
TSKB aims to maintain the share of sustainable and inclusive finance portfolio in the total loan portfolio as at least 60%, taking into consideration the investments in renewable energy, energy and resource efficiency that will be implemented in Turkey by the end 2020.	The share of sustainable and inclusive finance stood at 74%.
Within the scope of innovative renewable energy financing, TSKB plans to sign new renewable energy project loan agreements for a minimum 150 MW installed capacity and 10 new loan agreements for energy and/or resource efficiency projects by the end of 2020.	In 2019, new loans were extended for 739 MW of renewable energy, seven energy efficiency and / or resource efficiency projects.
TSKB is committed to continuing its activities within the scope of zero carbon principles. The Bank's target in this context is to monitor and offset its carbon footprint in the coming period.	In 2019, greenhouse gas emissions from TSKB's operational activities were calculated according to the ISO 14064 standard and verified by the BSI. The resulting emissions have been offset through carbon credits.
TSKB aims to reduce greenhouse gas emissions by 10% for the period of 2017- 2021 compared to the average of the past 5 years (2012-2016).	The Bank's greenhouse gas emissions for 2019 decreased by 11% when compared to 2018. Final reporting of this target will be published in the 2021 annual report.
Holding intra-Bank training events to raise awareness on waste reduction / waste recycling	Awareness training on waste reduction, waste recovery and recycling was given to all new TSKB employees.
TSKB's goal is to send all of the paper consumed in its buildings to recycling facilities and to achieve a 100% rate of recycling for paper waste.	Waste paper consumed in buildings in 2019 was collected separately and sent to recycling facilities.
TSKB's goal is to manage all environmental and social impacts and greenhouse gas emissions within the framework of ISO 14001 and ISO 14064 standards in 2019 and 2020.	ISO 14001 and ISO 14064 audits were successfully completed in February 2020.
TSKB is committed to carrying out environmental and social risk assessments of all investment loans, regardless of the project amount, to ensure that the necessary measures are taken in advance based on the determined risk and to monitor the implementation of these measures.	In 2019, TSKB applied the ERET tool, used in the management of environmental and social risks arising from lending activities, in all investment loans.

## 2019 Other Performance Indicators

### Sustainable Finance / External Environmental Impacts of the Bank

#### Renewable Energy Portfolio

Renewable Energy Projects (Number)	<b>294</b>
Total Installed Capacity Funded (MW)	<b>6,069</b>
Share in Turkey's renewable energy capacity	<b>14%</b>
Energy usage and being carbon neutral	<b>100% green</b>
Financing commitment	<b>USD 3.6 billion</b>
Contribution to CO <sub>2</sub> emission reductions (tonnes CO <sub>2</sub> e/year)	<b>11.19 million</b>
Share of electricity generation in loan portfolio	<b>36%</b>

#### Resource Efficiency Projects

Raw material savings (tonnes/year)	<b>14.5 million</b>
Water Savings (m <sup>3</sup> /year)	<b>1.2 million</b>
Waste Savings (tonnes/year)	<b>15.5 million</b>
Energy Savings (kcal/year)	<b>1.53 million</b>
CO <sub>2</sub> Savings (tonnes CO <sub>2</sub> e/year)	<b>848 million</b>

#### Energy Efficiency Projects

Energy Savings (kcal/year)	<b>4.7 million</b>
Contribution to CO <sub>2</sub> emission reductions (tonnes CO <sub>2</sub> e/year)	<b>2.4 million</b>
<b>Contribution to CO<sub>2</sub> emission reductions through sustainability investments (tonnes CO<sub>2</sub>e/year)</b>	<b>14.42 million tonnes</b>

### Internal Environmental Impacts of The Bank

Annual carbon footprint removal	<b>768 tonnes</b>
Paper consumption in the Headquarters	<b>5,785 kg</b>
Recycled glass plastic and paper waste	<b>3,822 kg</b>
Electricity consumption in the Headquarters	<b>1,064,530 kWh</b>
Natural Gas consumption in the Headquarters	<b>57,122 m<sup>3</sup></b>
Water consumption in the Headquarters	<b>7,025 m<sup>3</sup></b>
Water usage	<b>19.6 m<sup>3</sup>/employee</b>



## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

### Future Targets / Sustainable Finance and External Environmental Impacts of the Bank

By considering the renewable energy, energy efficiency and resource efficiency investments in our country until the end of 2020, the Bank aims to **keep the share of its sustainable and inclusive finance portfolio in the total loan portfolio, excluding the finance sector, at least 70%.**

Within the scope of innovative renewable energy financing, TSKB aims to sign **a new loan contract for renewable energy projects with a total installed capacity of at least 450 MW** by the end of 2020.

TSKB plans to sign **10 new loan agreements on energy and/or resource efficiency projects** by the end of 2020.

The Bank is committed to **assessing the environmental and social risks of all investment loans** irrespective of the project amount, ensuring the necessary measures are taken proactively based on the determined risk and monitoring the implementation of these measures.

For the period of 2017-2021, **greenhouse gas emissions** are projected to **decrease by 10%** compared to the average of the past 5 years (2012-2016).

The Bank aims to manage all environmental and social impacts and greenhouse gas emissions within the framework of **ISO 14001 and ISO 14064 Standards** in 2019 and 2020.

### Future Targets / Internal Environmental Impacts of the Bank

The Bank is committed to periodically calculating its **carbon footprint** and maintaining its banking operations **with zero carbon principles** by offsetting its carbon footprint.

**Zero-Carbon** organization studies will continue in 2019-2020 and with efforts to offset the carbon footprint by calculating the carbon footprints of **Career Workshops, Sustainability Workshops** and conferences hosted by the Bank and by purchasing Gold Carbon Credits.

All paper consumed in buildings will be sent to recycling facilities and the application of a **100% recycling target on paper waste** will continue in the years to come.

In-bank training programs will continue to be held in order to raise awareness about **waste reduction/waste recovery.**

## CAPITALS

### INTELLECTUAL CAPITAL



**THE DEEP-ROOTED SECTORAL KNOWLEDGE GAINED SINCE ITS ESTABLISHMENT, ITS POSITION IN THE SECTOR AND THE HIGH REPUTATION OF ITS BRAND CONSTITUTE TSKB'S INTELLECTUAL CAPITAL.**

#### KNOWLEDGE-BASED BANKING

TSKB distinguishes itself positively in the sector with its "knowledge-based banking" approach, integrated structure and team of experts in their fields.

TSKB has brought together financial analysis, environmental and technical expertise and economic vision in its business model with the vision of being the first partner to be consulted and preferred by its stakeholders for the economic, environmental and social development of Turkey.

TSKB sets itself apart and shapes the future with its expertise, extensive product range and highly qualified advisors, drawing on 70 years of development and investment banking expertise.

#### In this section

Knowledge-Based Banking  
TSKB Economic Research  
Group Companies  
Yatırım Finansman Securities  
TSKB Real Estate Appraisal  
TSKB REIT  
Escarus - TSKB Sustainability Consultancy

**SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS INTELLECTUAL CAPITAL**



## ECONOMIC RESEARCH

TSKB Economic Research is a key brand in the Bank's core business issues.

#### A TSKB CLASSIC: ECONOMIC RESEARCH

TSKB Economic Research is a key brand in the Bank's core business issues.

TSKB's experienced Economic Research Team shares its expertise in the sector, economy and capital markets with the reports it publishes as well as the presentations it makes inside and outside of the Bank.

TSKB's economic research publications provide support to the Bank's funding, lending, advisory, treasury, marketing and promotion activities and are also a key tool in sharing information with sector, company representatives and sector associations.

TSKB Economic Research Publications with figures in 2019	Number of Issues
<b>TSKB Daily Bulletin</b> A brief analysis on political/economic developments in the agenda and sector news flow	249
<b>Macro View</b> Review and evaluation reports on macroeconomic data and the data calendar	76
<b>TSKB Blog</b> Short analysis in which current economic and sectoral developments are interpreted, explained and shared	55
<b>Sectoral Outlook: Energy</b> Study revealing the energy sector outlook (Turkish and English)	2
<b>Weekly Energy Bulletin</b> Developments in the energy sector	41
<b>Monthly Energy Bulletin</b> Monthly developments in the energy sector (Turkish and English)	24
<b>Initial public offering valuation reports review</b>	5
<b>TSKB Look</b> Analysis focused on macro, industry and development	4
<b>Theme Look (Turkish and English)</b> Inclusive reports prepared in the context of diversification of funding and development of themed loans	9
<b>TSKB Bir Yorum</b> Analysis on a wide range of topics from financial markets to development economics on a technical basis	2
<b>Yeni Ay</b> Leading data on the economic calendar for the new month, analysis on heading economic events in Turkey and in the World, studies on development economics	12
<b>Total</b>	<b>479</b>

**TSKB Economic Research issued over 475 reports in 2019.**

The **TSKB Daily Bulletin** including daily brief analysis on political/economic developments in the agenda and sector news flow, **Macro View** including research on macro-economic data and economic calendar, **Yeni Ay** including leading data on the economic calendar of the new month, analysis on the heading economic events in Turkey and in the World and studies on development economics are among the periodicals of TSKB Economic Research.

The weekly and monthly **TSKB Energy Bulletin** shares analysis and developments in the energy sector. The **Monthly Energy Bulletin** is published in both Turkish and English. The report, entitled "**Sectoral Outlook: Energy**", which is prepared regularly every year and which analyses the current state of the Turkish energy market and addresses trends that will lead the sector in the future, was published in November in Turkish and English.

The Economic Research department also publishes **TSKB Look** including analysis focused on the macro economy, industry and development, **Theme Look** composed of themes pointing to potential topics in parallel with the Bank's mid and long-term strategy and **TSKB A Commentary** including a brief analysis on a wide range of topics from financial markets to development economics on a technical basis.

In 2019, Economic Research also conducted training programs on basic concepts in Macro Data Processing and Economic Research report writing principles for relevant stakeholders.

The Economic Research department also carried out academic studies during the year. A section of the Handbook of Green Economics was written by Burcu Ünüvar, Head of Economic Research. In the book, which is published internationally, TSKB's green/sustainable eurobond has taken place as an example of good practice.

#### TSKB Economic Research 2019 Themes

- Water is The Next Diamond (Turkish and English)
- Trickle-Down Financing as an Alternative to Direct Finance of SMEs (Turkish and English)
- Forced March to the Future: R&D and Innovation (Turkish and English)
- Paving the Way for Women to Enter the Labor Force (Turkish and English)
- Employment Priority Regions (English)

## INTELLECTUAL CAPITAL TSKB BLOG

### The TSKB Blog, as a sophisticated platform that sheds light on the development agenda

With the **TSKB Blog**, TSKB has provided a wide range of stakeholders, mainly those in the business world and the managers of the future, with access to its know-how and experience in various fields such as the economy, development, sectors, sustainability and inclusiveness perspectives.

The TSKB Blog offers articles on international trends such as digital transformation, Industry 4.0 and zero-carbon economy as well as the economic and financial agenda. The Blog aims to keep the pulse of the development agenda and highlights the rapid transformation in various industries.

The TSKB Blog is backed by TSKB's 70-years of know-how and experience. The Blog delivers editorials on economic and sectoral developments and offers new articles and current themes through the eyes of the Bank's experts to its followers on a weekly basis. Content on the TSKB Blog is also released simultaneously on TSKB's social media platforms. Articles on the TSKB Blog are written by a team of about 20 specialists from a range of fields such as development concept or objectives, sustainability, engineering, technology, energy and tourism.

## SECTORAL EVENTS AND THE TSKB LIBRARY

### TSKB actively works with sectoral organizations to strengthen stakeholder communication.

Sectoral events play an important role in TSKB's efforts to reach a wide stakeholder audience and in sharing its experience. Within the scope of these events, TSKB improves its dialogue with its stakeholders and awareness of sustainability issues is significantly raised among the participants.

TSKB was involved as an organizer and sponsor in many different events throughout 2019 and hosted various events throughout the year. In these events, TSKB representatives made presentations or participated as speakers on topics such as development economics, sustainability, inclusiveness, renewable energy, R&D and innovation, energy efficiency, women's employment and investment banking.

TSKB's work on this issue is not limited to Turkey alone. TSKB employees share the Bank's expertise in the international arena as speakers at capacity building trainings and global summits.

### LIBRARY

The TSKB Library, which opened its doors in 1971, is a specialized library with approximately 14,500 archive materials, nearly 200 periodicals and electronic database subscriptions. The TSKB Library, which offers researchers, especially university students and academics, a wide range of industry-based reports and research results, as well as national and international literature and special collections on gender studies and the history of Istanbul.

## INTELLECTUAL CAPITAL MEMBERSHIPS AND WORKING GROUPS

on various platforms, especially in cases where participation from Turkey has been achieved for the first time, and increase Turkey's recognition in these areas.

TSKB undertakes working group leadership and membership in a number of initiatives and carries out several projects with other companies sharing the same objectives.

### COOPERATION WITH PUBLIC INSTITUTIONS

Through its good relations with policy makers and public institutions and its ability to offer independent opinions, TSKB;

- contributes to the country's economy and development,
- creates diversity of funds for economic development,
- offers independent opinions from the private to public sector,
- serves as a bridge between the private sector and the public sector,
- contributes to the development of the market and legislative work,
- enables reputation, truth and promotion.

In 2019, the TSKB Library, which has been renewed architecturally in order to connect with TSKB's tradition and history of expertise and to create a space of sharing and creativity for employees, aims to provide better service to all interest groups.

TSKB is a member of national and international associations and initiatives that carry out activities in areas related to its strategy, activities and objectives. The Bank shares its experience within the scope of these memberships, where it undertakes active duties in working groups, and cooperates closely with other member companies.

### Contribution to Turkey and the TSKB brand

TSKB's participation in national and international initiatives contributes to the Bank's brand value as well as to the country's. The activities carried out within the scope of memberships reflect positively to TSKB's corporate image and support internal capacity building and awareness raising. These memberships, which present an opportunity to establish communication and relations with stakeholders from different regions and cultures, contribute to the promotion of Turkey

### INITIATIVES TSKB TOOK ROLE IN AND WORKING GROUPS LED BY TSKB IN 2019

#### INTERNATIONAL DEVELOPMENT FINANCE CLUB (IDFC) GENDER EQUALITY WORKING GROUP LEADERSHIP

#### BCSD TURKEY WOMEN'S EMPLOYMENT AND EQUAL OPPORTUNITIES WORKING GROUP LEADERSHIP

#### INTEGRATED REPORTING TURKEY NETWORK (ERTA) EXECUTIVE COMMITTEE MEMBER

#### INTEGRATED REPORTING TURKEY

Training Committee  
Implementation Committee  
Promotion and Dissemination Committee  
TKYD Board Membership

#### BCSD TURKEY

Sustainable Finance Working Group  
Energy Working Group  
Women Employment and Equal Opportunity Working Group  
Circular Economy Working Group  
New Technology in Sustainability Working Group  
Access to Sustainable Agriculture and Food Working Group  
Sustainable Reporting Working Group

#### TKYD BOARD MEMBERSHIP

The Capital Markets Working Group and BIST Corporate Governance Index Board Working Group  
Studies for Integrated Reporting  
Non-Governmental Organizations Working Group  
Corporate Governance Working Group in Family Companies

#### UNITED NATIONS GLOBAL COMPACT

Sustainable Finance Working Group  
Gender Equality Working Group  
Environmental Working Group  
Diversity and Inclusiveness Working Group

#### TURKISH INDUSTRIALISTS AND BUSINESS COMMUNITY ASSOCIATION (TUSIAD)

Banking, Economic Analysis, Capital Markets, Taxation, Transformation in Industry, Health, Tourism, Environment and Climate Change, Energy, Food, Beverage and Agriculture, Gender Equality, Foreign Trade, Next Generation Industry, SME, Employment and Social Security, Transportation and Logistics, BORGIP (Interregional Joint Venture Project), Global Relations and EU working groups.

#### FOREIGN ECONOMIC RELATIONS BOARD (DEIK) ENERGY AND CHINA BUSINESS COUNCIL MEMBERSHIPS

#### Events organized by TSKB

- The AFD-TSKB Equal Opportunity Conference
- The Koton – Supply Chain Equal Opportunity Meeting
- Syndication Agreement
- FI Cocktail
- AFD Resource Signing Ceremony
- KFW 50<sup>th</sup> Anniversary Event
- EBRD Signing Ceremony
- Us Again NGO Meeting
- Campus Win Organization
- Ufuk Tarhan Seminar for TEV Scholars

#### Events sponsored by TSKB

- Energy Efficiency Forum
- Carbon Summit
- BCSD Sustainable Finance Forum
- Istanbul Finance Summit
- Capital Markets Congress
- Turkey Wind Energy Congress
- Istanbul Music Festival "Women Stars of Tomorrow" Concert

#### Events hosted by TSKB

- TKYD – Board Meeting
- TKYD – Member Meeting
- BCSD Reporting Matters Launch
- Corporate Communicators Association Blockchain Seminar

## INTELLECTUAL CAPITAL GROUP COMPANIES

### COMPLEMENTARY ACTIVITIES THAT ENHANCE THE VALUE OFFERED

#### The synergy created and the integrated relationship of TSKB with its subsidiaries complements and supports the Bank's business cycle.

TSKB has subsidiaries operating in various sectors and also holds shares in various companies under the Isbank Group.

TSKB operates within a holistic structure with its subsidiaries. The Bank's subsidiaries provide concrete contributions to the process of generating lasting value for TSKB's stakeholders through their business volumes, cross-collaboration opportunities and competencies. The Bank acts in synergistic cooperation with Yatırım Finansman Securities, TSKB Real Estate Appraisal, TSKB Real Estate Investment Trust and TSKB Sustainability Consultancy (Escarus) in terms of creating cross-selling opportunities, delivering successful investment banking and advisory projects.

### YATIRIM FINANSMAN



[www.yf.com.tr](http://www.yf.com.tr)

#### Turkey's first capital markets institution

Acting in coordination with TSKB in a variety of investment banking projects Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman) is Turkey's first capital markets institution. The company was founded on October 15, 1976 by 13 major banks led by Isbank and TSKB.

Earning a reputable place in capital markets thanks to the rapid and stable progress it attained since the day it was founded, Yatırım Finansman is one of the leading players in the market and stands out as a symbol of trust.

#### A rich product range, with a strong and widespread service network

As one of Turkey's key institutions, Yatırım Finansman offers both domestic and international individual and corporate investors high quality, reliable and rapid services to access capital markets through its robust and widespread network of branches around the country, and its online and mobile applications. The Company creates added value for its customers through its knowledge, experience, expertise and strong capital structure gained from its experience dating back more than 43 years in the financial sector.

With the YFTRADE, YFTRADEMOBILE, YFTRADEINT applications developed by Yatırım Finansman, investors add value to their savings regardless of time and space by making reliable and intermediary transactions in domestic and/ or foreign markets with portable or desktop computers, new generation smart devices.

Yatırım Finansman operates in strong synergy with group companies, mainly with TSKB. The company, which has undertaken important projects with TSKB in the field of investment banking, continues to provide convenient financial instruments to its customers and brings additional value to their investments thanks to its employees, who utilize their knowledge, experience and competences to the best of their abilities.

#### A brokerage firm operating on the principle of Responsible Profitability

Yatırım Finansman is a pioneer with its innovation, technology and customer-oriented service approach and product diversity; it is distinguished in the market as one of the leading preferred brokerage firms which adds value to all of its stakeholders with its sustainable operating results, directs its sector and serves one of the most popular brokerage firms in the market.

In 2019, Yatırım Finansman met its targets to provide a satisfactory return to both its investors and stakeholders within the framework of the principle of "Responsible Profitability".

Yatırım Finansman sets itself apart in the sector with the rich and diverse range of products and services which it offers with its status as a Competent Intermediary Institution within the scope of the capital market law and the communiqué, and its advanced technology infrastructure and its investments.

Yatırım Finansman, in which TSKB has a 95.8% shareholding, stands out among investment institutions and continues to raise the level of service in the industry with its 9 service points throughout Turkey, a shareholders' equity which reached TL 116.3 million, and client assets exceeding TL 5.6 billion in 2019.

#### Contributing to efforts to promote the sector

Yatırım Finansman, the founder of the sector, conducts activities for university students in order to contribute to the promotion of the capital markets and meets students who are interested in the sector.

In 2019, the company launched industry-specific technical training from online channels for university students, aiming to contribute to the development of their financial literacy.

In 2019, the Company expanded its activities in the field of social responsibility by providing book assistance to 12 elementary schools.

For 2019, Yatırım Finansman plans to continue holding seminars in various regions of Turkey to contribute to improving the recognition of the capital markets and to financial literacy under a mission borne of its position as the first brokerage house in Turkey.

#### Growth target by increasing number of active customers

Yatırım Finansman aims to increase its number of active customers by 15% every year, both with the existing customers it will activate and the new gains, and to increase the share of income it receives from these customers to 15% of its total revenues.

Yatırım Finansman, which stands at the forefront with its technological infrastructure and innovations in mobile applications, will maintain its investments in technology infrastructure and online platforms without interruption in 2020 in order to provide the most suitable solutions for its customers' needs with new products and services.

### TSKB REAL ESTATE APPRAISAL



[www.tskgd.com.tr](http://www.tskgd.com.tr)

#### The Industry leader and reference company in the field of appraisal and consultancy

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal) was established in 2002 to deliver real estate appraisal services.

TSKB Gayrimenkul Değerleme provides independent and impartial services to international standards in the areas of valuation, consultancy, valuation of machinery and equipment, most efficient and best use analysis, feasibility analysis, market research and sectorial analysis, tender consultancy and process management, urban transformation consultancy, construction progress and investment monitoring consultancy, concept development consultancy, review of valuation reports and green valuation.

The Company carries out all of its operations in accordance with the legal regulations and International Valuation Standards, in line with the principle of confidentiality.

#### 145,000 valuation reports in the last 5 years

TSKB Gayrimenkul Değerleme offers deep rooted know-how and expertise in the valuation and appraisal industry along with appraisal and consultancy services in all phases of projects starting from the planning stage through its appraisal experts from its 8 branches across Turkey.

Chartered appraisal experts, mostly CMB-accredited, working at TSKB Gayrimenkul Değerleme determine the market value of a wide range of properties from land, business centers and factories to shopping malls, hotels, logistics plants, petrol stations and power stations. As of the end of 2019, the company had published nearly 145,000 reports in the last five years.

#### A performance crowned with awards

TSKB Gayrimenkul Değerleme has received four awards in categories such as Best Real Estate Appraisal Company in Turkey and Best Real Estate Consultant in Turkey.

#### Effective organizational structure

TSKB Gayrimenkul Değerleme has two main departments for valuation services - "Collateral Valuation" and "Special Projects".

The Collateral Valuation Department was established in 2010 to reflect the importance of accurate value determination in real estate based loan collateralization studies. The department mainly serves financial institutions.



## INTELLECTUAL CAPITAL GROUP COMPANIES

The Special Projects Department, on the other hand, provides services on special-purpose valuation requests such as domestic and international project valuation, feasibility, most efficient and best use analysis, project goodwill, machinery and equipment park valuation, tender consultancy and sector based research.

The Company's international appraisal services are carried out by Special Projects Department. TSKB Gayrimenkul Değerleme realized appraisal studies in 20 different countries. TSKB Gayrimenkul Değerleme, which provided valuation services in four more countries where it had not previously served in 2019, considers providing its customers with a global perspective on valuation standards as one of its primary objectives.

### One of Turkey's valuation companies, operating with three different licenses

Besides being authorized by the CMB and BRSA, TSKB Gayrimenkul Değerleme is one of Turkey's leading companies providing services with three licenses, having obtained the RICS license, which provides international service assurance.

With its staff holding the MRICS, Appraisal Institute and LEED Green Associate certificates, the Company holds the highest number of international licenses in Turkey in relation to appraisal and consultancy services.

Furthermore, TSKB Gayrimenkul Değerleme is the first real estate appraisal company in Turkey to have obtained the ISO 9001:2008 Quality Certificate granted by BSI Eurasia Yönetim Sistemleri Belgelendirme Ltd. Sti., a UK certification company. The company completed its transition to the ISO 9001:2015 Quality Certificate System and now holds the ISO 9001:2015 Quality Management System certificate.

### Solid targets

TSKB Gayrimenkul Değerleme composes its future strategies and determines action plans according to its corporate mission in the framework of its 3-year Strategic Plan.

At the end of 2018, the construction sector entered a recession which continued for the first seven months of 2019, but there was a recovery in the sector indicators in the third quarter of the year. As of August 2019, pending housing demand in the market was driven by a reduction in mortgage interest rates, and an increase was observed in the housing sales due to this effect. The mobility experienced in housing sales has also started to reflect positively on the return on housing

investments. TSKB Gayrimenkul Değerleme maintained its position in the Special Projects Department as "the leading company in the sector doing its job well". The turnover of the Collateral Valuation Department has increased by approximately 20%.

In addition, TSKB Gayrimenkul Değerleme quickly took action to comply with the "Principles to be Followed in the Valuation of Non-Real Estate Assets within the Scope of Capital Market Legislation" published on 11 April, and the "Communiqué on Real Estate Appraisal Companies to Operate in Capital Market" published on 31 August.

TSKB Gayrimenkul Değerleme aims to grow by 30% in 2020 by maintaining its unique position and brand value in the sector. In 2019, the rate of return to contract of incoming claims was 54%, while in 2020 this is planned to increase to 60%. It is expected that the increase in the number of future jobs with special qualifications combined with accurate perception management, as well as the increase in the awareness of the market about receiving valuation reports, will lead to a qualified increase in the number of jobs.

## TSKB GYO

[www.tskbgyo.com.tr](http://www.tskbgyo.com.tr)



### A company seeking to build an efficient real estate portfolio

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO, TSKB REIT) is a real estate company which aims to establish and develop an efficient real estate portfolio.

TSKB has a share of 88.67% in TSKB REIT, which is supported by the Bank's corporate know-how and experience dating back 69 years. As a capital market institution, TSKB REIT is able to invest in real estate, real

estate projects, real estate rights and capital market instruments, establish ordinary partnerships to realize certain projects, and deliver other operations allowed by the relevant communique of the Capital Markets Board (CMB) of Turkey.

### A balanced investment strategy

The core values of TSKB REIT are consistency, transparency, quality management, social responsibility, customer orientation and teamwork. Its investment strategy is based on growth, sustainability and risk management through project development. The capital of the Company, which was established with an initial capital of TL 10 million, was increased to TL 300 million in the 4<sup>th</sup> quarter of 2018. As of 31 December 2019, TSKB REIT's asset base had reached TL 536 million and the leasable area under its management had reached 66,000 m<sup>2</sup>.

At the end of 2019, TSKB REIT's real estate portfolio included the Pendorya Shopping Mall located in Pendik, Istanbul on the E-5 highway, and which was inaugurated on December 17, 2009. The shopping mall has an indoor area of 80,648 m<sup>2</sup> and a leasable area of 30,573 m<sup>2</sup>. TSKB REIT's portfolio also includes two office buildings located in Fındıklı, Istanbul with a total indoor area of 17,827 m<sup>2</sup>, Tahir Han in Karaköy, Istanbul, half of the shares in the Divan Adana Hotel, located in the city center of Adana and which opened its doors in September 2015, as well as its independent units.

### TSKB REIT and the capital markets

Subject to capital market legislation, TSKB REIT's goals include, among others, contributing to real estate investments so as to ensure they secure a place in capital markets as a liquid and sound investment alternative. TSKB REIT shares have been traded on Borsa Istanbul's Collective and Structured Products Market under the 'TSGYO' ticker since April 2010.

### TSKB REIT targets improving its profitability

In line with its investment strategy to increase current lease revenues and to diversify its portfolio, TSKB REIT will sustain efforts to increase lease revenues from the Pendorya Shopping Mall in 2019. In a similar vein, the Company aims to deploy its competitive edge in the region where the Divan Adana Hotel is located and increase its profitability.

## ESCARUS

[www.escarus.com](http://www.escarus.com)



### The leading consultancy company in Turkey's sustainable development

TSKB Sustainability Consultancy (Escarus), which was established in 2011 and 80.17% of which is owned by TSKB, provides project-oriented consultancy services built on TSKB's multi-disciplinary expertise, experience and know-how.

Aiming to be the leader and major contributor in Turkey's sustainable development, Escarus carries out its operations under three main lines:

- Operational Sustainability
- Strategic Sustainability
- Research, Reporting and Education

Escarus, which has undertaken innovative and pioneering projects with its professional staff, designs and realizes value-added consultancy services in the area of energy, operational efficiency, environmental and social assessment, technical evaluation, management systems, climate change and sustainable finance.

### Strengthening brand value

Escarus' service region covers Turkey as well as international markets, carrying out a total of 27 projects, 20 of which were new in 2019. Escarus has so far carried out several projects in Qatar, Lebanon, Egypt, Kenya, Senegal, Cameroon and Congo, and has come a long way towards meeting its service export goal.

Escarus, which predominantly carries out projects with private sector companies, has diversified its customer base in the context of providing services to public institutions and international organizations. In 2019, Escarus worked directly with international organizations such as the IFC, the EBRD, IsDB and UNDP, and continued to seek close contact and cooperation with several other organizations as well.

## INTELLECTUAL CAPITAL GROUP COMPANIES

### The first and only Turkish company elected to the Green Bond Principles Advisory Board

Escarus provided framework consultancy services for green SRI Bond/Sukuk issuance transactions in 2018 and was elected to the Green Bond Principles (GBP) 2019-2020 Advisory Board in 2019. Escarus is the only company in Turkey to have been elected to the Advisory Board, which was established to provide a broader perspective on green, social and sustainable bond markets and to advise actors in this field.

### Multiple projects from various disciplines

Escarus, which has a strong workforce, has successfully completed many exemplary projects in areas such as investment feasibility reviews, technical assessment for export credits, environmental and social assessment and monitoring, sector analysis, sustainability report and integrated reporting, and sustainability oriented training in addition to projects based on strategic sustainability.

Escarus considers sustainability as a concept which affects the whole of society and the overall economy, far beyond the first-order issues of the environment and the environment. Based on this approach, the Company addresses sustainability in a wide universe in line with the 16 + 1 Sustainable Development Goals outlined by the United Nations and shapes its areas of activity in this direction.

Escarus is focused on building capacity and project development activities in the areas such as sustainable agriculture, rural development, women's empowerment and gender equality, waste management, industrial symbiosis, the financing of efforts to tackle climate change and adaptation to climate change, value chain analysis and social impacts.

### Collaborative Focus and Approach

Escarus continued its knowledge-sharing stance in 2019 with many events which it organized and participated in as a speaker. Escarus managers and specialists attended several events as speakers including part-time lectures at universities and opening a new service path in thematic training for the finance sector. Escarus held its Sustainability Workshop, organized annually in cooperation with TSKB, at the Özyeğin University in 2019.

### Escarus in 2020

Within the framework of 2020 targets Escarus aims to strengthen the domestic consultancy structure with a national and global presence, which can meet the needs of public and private sector institutions at home and abroad, especially those institutions which use foreign funds, while sharing its knowledge in order to create maximum value from these funds and increasing Turkey's exports of services to its neighbouring region.

In 2020, Escarus plans to expand its sustainability-based technical, environmental, social and managerial consultancy services to wider segments, and sustain its activities on an understanding that sustainability is at the heart of all technical and financial solutions, and plans to expand its number of projects and scope.

In accordance with the Strategic Plan for 2020-2022, in 2020 Escarus aims to increase the number of projects it serves to 30, the total number of companies in the finance and real sectors contacted to bid to 70, and the number of names in the consultant pool to 250, commission the project-based time management system and carry out business in each of its products collected in 12 subtitles.

## ① SUMMARY OF TSKB'S SUBSIDIARIES WITHIN ISBANK GROUP

COMPANY	Sector	Capital (TL million)	TSKB's Share (%)	Web Site
Is Finansal Kiralama A.Ş.	Finance	695.3	29.46	www.isleasing.com
Is Girisim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	74.7	16.67	www.isgirisim.com
Is Faktoring A.Ş.	Finance	63.5	21.75	www.isfaktoring.com

## INTELLECTUAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



### 2019 Other Performance Indicators

Within the scope of TSKB Consultancy Services, 61 advisory projects were completed in 2019 and 479 sector reports and 55 blog posts were written by the Economic Research team on five different themes.

Turkey's first capital market institution, Yatırım Finansman, acquired 1,077 new customers and a number of activated customers in the year 2019. In order to increase financial literacy, nine seminars were provided in 2019 and these seminars are planned to continue in the coming years.

TSKB Gayrimenkul Degerleme converted 54% of requests received in 2019 into contracts. The Company has produced 145,000 reports in the last 5 years.

In 2019, TSKB Real Estate Investment Trust maintained its efforts to increase the rental income of the Pendorya AVM in line with its investment strategy of increasing existing rental income and diversifying the portfolio.

Providing advisory services in the field of sustainability, Escarus carried out 27 different projects in 2019 and contacted 49 different companies in the financial and real sectors to bid. The company increased the number of names in the consultant pool to 145.

### Future Targets

TSKB's goal is to transfer the knowledge and experience it has built up over 70 years through its advisory team and four different subsidiaries, and to expand its field of activity.

**TSKB Advisory Services aims to triple its revenues through its activities carried out by its large staff in 2020.**

**Yatırım Finansman aims to increase the number of active customers by an average of 15% in 2020 and to increase the share of the revenue from these customers to 15% in total revenues.**

**TSKB Real Estate Appraisal aims to grow by 30% in 2020 by maintaining its specialist position and brand value in the sector. It aims to realize a return rate of requests to the contract of 60% in 2020.**

**TSKB GYO aims to increase its profitability by deploying its competitive advantage in the region where the Divan Adana Hotel is located in 2020.**

**Escarus aims to increase the number of projects it conducts to 30, the number of firms contacted to bid to 70, and the number of names in the consultant pool to 250 in 2020. The Company aims to deploy its project-based management system in 2020 and carry out business in each of the products collected in a total of 12 sub-titles.**

## CAPITALS

### SOCIAL CAPITAL



**THE BOUNDS TSKB HAS ESTABLISHED WITH ITS STAKEHOLDERS AND THE LONG-TERM RESPONSIBILITY PROJECTS THE BANK HAS UNDERTAKEN IN THIS CONTEXT CONSTITUTE TSKB'S SOCIAL CAPITAL.**

#### VALUE CARRIED INTO THE FUTURE

TSKB embodies its social contribution in Corporate Social Responsibility projects designed in parallel with its mission of supporting Turkey's sustainable and inclusive development.

Implementing various awareness, development, education, culture and art projects on themes such as climate change, the low carbon economy, women's participation in production and equal opportunities, the Bank contributes to the reproduction of similar good examples in the business world, touching the lives of more people and developing a productive ecosystem that protects the environment.

#### In this section

- Digital Platform for Sustainability: [www.cevreciyiz.com](http://www.cevreciyiz.com)
- Sustainability Workshops in Universities
- Zero Carbon Economy Activities
- Excavations in Patara Ancient City
- Scholarship Fund: Women Empowerment through Education
- Digital Platform for Equal Opportunities: [www.esitadimlar.com](http://www.esitadimlar.com)
- Music Education Support Fund: Woman Stars of Tomorrow
- Experience sharing and reporting

#### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS SOCIAL CAPITAL



Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments that generate an environmental and social impact.

#### A SOCIAL CONTRIBUTION BY LONG-TERM RESPONSIBILITY PROJECTS

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and art projects on themes such as climate change, the low carbon economy, women's participation in production and equal opportunities.

## SOCIAL CONTRIBUTION

Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments which generate an environmental and social impact. On the other hand, the Bank reinforces the total value it generates through its long-term projects realized within the scope of Social Responsibility, which it defines as an integrated element of its unique business model.

TSKB's social responsibility projects are structured in the areas of sustainability and equal opportunities.

With these projects, the Bank provides a concrete contribution to the reproduction of similar good examples in the business world, to touch more people's lives and to the development of a productive ecosystem which protects the environment.

The Bank's social capital is crowned with its experience and sharing efforts, and is conveyed into the future.

### TSKB'S SUSTAINABILITY JOURNEY HAS BEEN CROWNED WITH RESPONSIBILITY PROJECTS AND IS EVOLVING INTO THE FUTURE THROUGH EXPERIENCE SHARING.

<b>2007</b> cevreciyiz.com	<b>2008</b> Zero Carbon Banking	<b>2012</b> Sustainability Workshops in Universities	<b>2016</b> Patara Ancient City
<b>2017</b> Women Empowerment through Education	<b>2018</b> The Women Stars of Tomorrow	<b>2018</b> #EqualSteps	

## SUSTAINABILITY PROJECTS

TSKB aims to support the perception of sustainability and raise awareness among students, who are the decision makers of the future, through its sustainability workshops which have been organised since 2012.

**www.cevreciyiz.com**

TSKB's first project in the field of sustainability www.cevreciyiz.com was implemented in 2007.

Leaving behind its 12<sup>th</sup> year, www.cevreciyiz.com offers a rich variety of content in different areas such as business ideas on sustainability, environmentally friendly designs, alternative energy resources, environmentally friendly consumption trends, green architectural examples and is a source of inspiration for the sustainable business world.

TSKB also spreads the impact it produces from the www.cevreciyiz.com project to large sections of society through its posts on social media channels.

Celebrating its 12<sup>th</sup> year, www.cevreciyiz.com is a source of inspiration for the sustainable business world.

**Sustainability Workshops in Universities**

With the Sustainability Workshops it has been organising since 2012, TSKB aims to support the perception of sustainability of university students, who are the decision-makers of the future, and to raise awareness. The workshop is organized in cooperation with the group company, Escarus, which operates in the field of sustainability consultancy, and is held at a different university every year. Students participating in the workshops come together with consultants from TSKB and Escarus to perform a case analysis on a real banking project focused on issues such as climate change, the low carbon economy and the environment.

TSKB has purchased more than 4,000 tonnes of Gold Standard Carbon Certificates in the last 5 years in order to offset emissions from banking activities.

**Zero Carbon Economy**

Since 2008, TSKB has been neutralising all carbon footprints arising from its in-bank activities with Gold Carbon Credits obtained from renewable energy companies. In addition, the Bank offsets the emissions of the concerts sponsored at the Istanbul Music Festival and the Career Workshops it organizes.

In order to raise awareness among customers and business partners, TSKB sent New Year greetings for three consecutive years based on Turkey's individual carbon footprint statistics and with name-specific carbon certificates.

Aiming to take responsibility for the transition of the business world to a low carbon economy, TSKB shares its support and experience on every platform with its Bank spokespersons, as well as its consultancy solutions, social responsibility projects and loans in the fields of renewable energy, energy and resource efficiency.

**Excavations in Patara Ancient City**

TSKB considers the protection of cultural and historical artefacts as one of the cornerstones of sustainability. The Bank, along with Isbank and SiseCam, has been supporting the excavations in the ancient city of Patara since 2016, which is an important source of wealth of our country.

## EQUAL OPPORTUNITY PROJECTS

The scholarship fund established in cooperation with the Turkish Education Foundation (TEV) extends support each year to junior and senior female college students.

Recently focusing on inclusive development, TSKB provides funds to the private sector to increase women's employment. While female employment in companies participating in the Women-Friendly Loan Program increased by 15% in 2018-2019, the performance growth in development areas such as policies, education, working conditions and representation in the management reached 30%.

TSKB has designed and implemented equal opportunities projects in areas where it believes it can make a difference by evaluating the knowledge and experience it has gained in this process.

**Scholarship Fund: Women Empowerment through Education**

The participation of women in the economy presents tremendous potential to support the welfare of the country. The realization of this potential is related to the empowerment of women through education. It is with this conviction that TSKB established the Scholarship Fund named Women Empowerment through Education.

The scholarship fund established in cooperation with the Turkish Education Foundation (TEV) extends support each year to junior and senior female college students. Beyond being a scholarship fund, the project also offers its stakeholders services such as mentoring and training with the goal of enabling more women to participate in business life every day.

**#EqualSteps www.esitadimlar.com**

The digital platform implemented in cooperation with BCSD Turkey (Business Council for Sustainable Development), www.esitadimlar.com, provides a comprehensive guide to all firms seeking to take steps to promote women's employment and develop an equal opportunity approach at work.

#equalsteps, which is a digital library using social media channels effectively, is moving towards becoming a platform hosting successful applications from Turkey and the world, roadmaps, standards on the issue and legislation all qualified research is carried out in this field.



**SOCIAL CAPITAL**  
**EXPERIENCE SHARING AND REPORTING**



**The Women Stars of Tomorrow**

TSKB's support for work in the field of culture and art goes back many years. The Bank has been supporting concerts within the scope of the Music Festival organized by the Istanbul Foundation for Culture and Arts (IKSV) since 1990.

TSKB has also taken a lead in its work in this area, neutralising the carbon footprint of the concerts it sponsored between 2014 and 2017 and enabling the festival's first and only 'zero carbon concerts' to be realized.

TSKB supports the advancement of talented young female musicians in the international arena in the branches of instruments, singing and conducting through the "Women Stars of Tomorrow" Educational Support Fund, which it launched in the context of the Istanbul Music Festival in 2018-2019. Female musicians who are accepted at undergraduate or graduate level from a music school abroad, who continue their music education abroad or who need support for participation in activities such as master classes, orchestra selection, international competition or need support for purchasing instruments which will contribute positively to their career development may apply to this fund.

Experience sharing and reporting is a valuable channel through which TSKB provides the opportunity to inform and interact with broad audiences regarding the economic, environmental and social impact it has generated through its banking activities.

TSKB also establishes productive cooperation with NGOs which generate value on issues such as sustainability and women's employment. TSKB is actively involved in and supports the joint projects

of "Equal Opportunity" and "Sustainability" Working Groups of many national and international initiatives such as BCSD Turkey, TÜSIAD, Global Compact, UNEP FI and the IDFC.

Announcing its performance results to the public with annual reports since its inception, TSKB has been offering its value in a transparent approach to all of its stakeholders with sustainability reports since 2009 and integrated reports since 2016.

In the past 10 years of its sustainability and integrated reporting practice, TSKB has inspired many companies, especially the participants of the banking sector, to incorporate sustainability in their business cycles as well as transparent stakeholder communication.

The Integrated Reports published by TSKB are among the few leading studies to be considered "case studies" in workshops, meetings and comparison analyses set out in initiatives which aim to spread Integrated Reporting in Turkey.

TSKB takes into consideration the contributions and suggestions of all stakeholder groups through the stakeholder dialogue surveys and meetings it conducts periodically. TSKB to great lengths to include all relevant parties in its development journey.

Believing that the impact power of social responsibility projects has become concrete over time, TSKB is focused on implementing the concept of long-term responsibility. Based on this understanding, TSKB will continue to develop projects and contribute to new areas that will play a key role in our country's sustainable development story, just like climate change and women's employment.

**SOCIAL CAPITAL TARGETS AND BASIC PERFORMANCE INDICATORS**



2019 Targets	2019 Realizations
Under the Sustainable Development Goals (SDG) and inclusive finance, USD 250 million in funding is projected to be provided by the end of 2020 to support women's employment and the economy in refugee-affected areas.	Within the scope of this target, TSKB provided USD 121 million of financing in 2019.
In the 2019-2020 period, TSKB aims to raise awareness among wider audiences by increasing the number of www.cevreciyiz.com followers. In this context, the Bank aims to protect the current visitors and to increase the number of social media follower of the www.cevreciyiz.com website.	As of the end of 2019, www.cevreciyiz.com and #EqualSteps reached 55,518 and 14,895 followers respectively.
In the 2019-2020 period, the Bank aims to organize at least one Sustainability Workshop in universities annually in cooperation with Escarus.	The 2019 Sustainability Workshop was held at Özyeğin University.
In the period 2019-2020, the Bank aims to continue zero-carbon organization activities and to offset the carbon footprints of career workshops, sustainability workshops and Bank-hosted conferences by purchasing Gold Carbon Credits.	In 2019, the carbon footprint of five events hosted by TSKB with over 100 outside participants was offset.

**2019 Other Performance Indicators**

With APEX Credits, **1,371 SMEs** were reached in the last 3 years, and an additional **875 new work force** were created.

As a result of the action plans, the average score of companies improved by **15%** in 2019.\*

In 2019, **39 girls were provided with scholarships** on behalf of our external stakeholders.

**The awareness level of 100 female students was increased** with targeted activities for female college students.

**3 social and environmental conferences were sponsored** in 2019.

By participating in 5 sustainability platforms, 20 employees shared information with the business community through working groups. This number represents **nearly 12%** of TSKB's banking staff.

\*The application tool consisting of 7 main categories is used for companies to make self-evaluations on the theme credits provided by IBRD and AFD to ensure gender equality at work and to improve women's employment categories in question.

**Future Targets**

Diversifying the activity in the field of sustainable development, where TSKB is a pioneer, and **raising awareness in our country**

In line with SDGs and inclusive finance, providing USD 250 million in funding by the end of 2020 in order to **support women's employment and the economy in refugee-impacted areas**

In line with SDGs and inclusive finance, supporting women's employment, equal opportunities and the economy in refugee-affected areas and **increasing awareness**

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

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## BOARD OF DIRECTORS



**H. ERSİN ÖZİNCE**  
Chairman



**SUAT İNCE**  
Board Member  
and CEO



**YAVUZ CANEVI**  
Board Member



**MEHMET ŞENCAN**  
Vice Chairman  
(Independent  
Board Member\*)



**MİTHAT RENDE**  
Board Member  
(Independent  
Board Member)



**ZEYNEP HANSU UÇAR**  
Board Member



**ABDİ SERDAR ÜSTÜNSALİH**  
Board Member



**AHMET HAKAN ÜNAL**  
Board Member



**GAMZE YALÇIN**  
Board Member  
(Independent  
Board Member)



**HÜSEYİN YALÇIN**  
Board Member



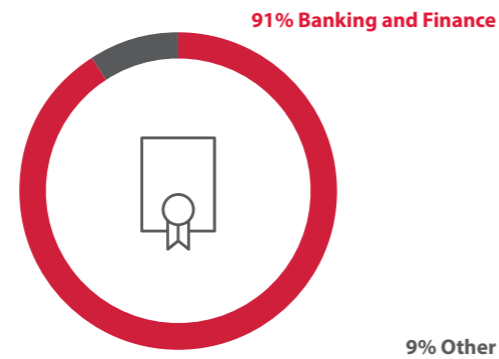
**CAN YÜCEL**  
Board Member



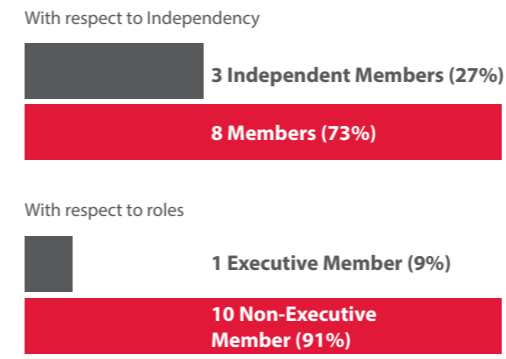
### COMMITTEE MEMBERSHIPS OF BOARD MEMBERS

- Credit Revision Committee
- Audit Committee
- Corporate Governance Committee
- Remuneration Committee
- Sustainability Committee
- Chairman of the relevant committee

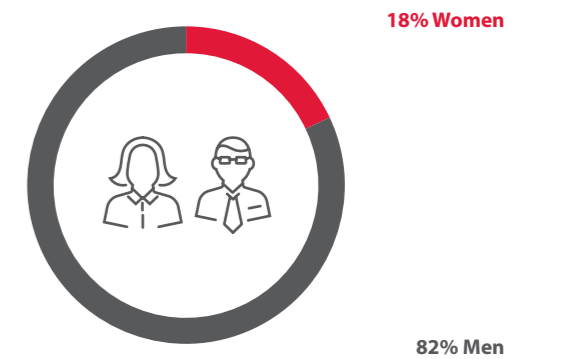
### BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



### BREAKDOWN IN TERMS OF INDEPENDENCE&ROLES (%)



### BREAKDOWN BY GENDER (%)



\*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

## BOARD OF DIRECTORS

### **H. Ersin ÖZİNCE** Chairman

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at Isbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at Isbank, Mr. Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. On 28 October 1998, Mr. Özince was appointed as the 15<sup>th</sup> Chief Executive Officer of Isbank.

Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince performed the Chairmanship of Isbank Board between 1 April 2011 – 31 March 2019.

Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of TSKB between 17 April 2009 – 1 April 2011, and the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 November 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017.

Mr. Özince has been the Chairman of TSKB's Board of Directors since 4 May 2017. In addition to his duties at the Bank, he serves as the Chairman of the Board of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund and as a member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation).

### **Mehmet ŞENCAN** Vice Chairman

Having born in Adapazarı in 1964, Mr. Mehmet Şencan graduated from Management Engineering Department of İstanbul Technical University. He began his career at Isbank as an Officer at Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. He was appointed to Bursa Branch as an Assistant Manager in 1997. Mr. Şencan served as the Manager of Antakya, Gebze, Denizli and Bursa and Kozyatağı Corporate Branch unit 2017, when he was appointed as Deputy Chief Executive of Isbank. In 2019, Mr Şencan was appointed as the general manager of Anadolu Sigorta. Mr. Şencan, who was elected as a board member of TSKB on 7 June 2017, has been appointed as the Vice Chairman of the TSKB's Board of Directors. Mr Şencan is an independent board member due to his membership in Audit Committee.

### **Suat İNCE** Board Member and CEO

Suat Ince was born in 1964 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of the bank. He served as Deputy Chief Executive of Isbank between 2008 and 2016. On 1 April 2016, Mr. Ince was elected as a member of the TSKB's Board of Directors and appointed as the Bank's Chief Executive Officer.

### **Yavuz CANEVI** Board Member

Yavuz Canevi was born in Konya in 1939 and graduated from the Finance and Economics Department of the Faculty of Political Sciences, Ankara University in 1960. He completed a master's degree at the University of Southern California in 1969. After serving as a Ministry of Finance Inspector from 1960 to 1963, he worked in a variety of positions in public and private organizations from 1963 to 1989, until being retired from his position as Treasury Undersecretary in the latter year. Mr. Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası since 1996. Mr. Canevi, who had served as a member of TSKB's Board of Directors between 1993 and 2012, was re-appointed as a member of TSKB's Board of Directors on 9 April 2015.

### **Mithat RENDE** Board Member

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara and assumed various duties in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London Embassies and Permanent Representatives. Mr. Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005, he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Mr. Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate Change between 2010-2013. He was also a member on the Turkish Nuclear Energy Commission during the same period. Mr. Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. Having retired in 2016, Mithat Rende has been a member of the TSKB Board of Directors since 4 April 2017. Mr. Rende is an Independent Board Member.

### **Zeynep Hansu UÇAR** Board Member

Ms. Zeynep Hansu Uçar was born in Ankara in 1971 and graduated from Business Administration Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. Ms. Uçar has started her professional career at Isbank as an assistant specialist in Subsidiaries Department. Having served as the Unit Manager between 2007 and 2015, she was promoted as Department Manager of the Subsidiaries Department. Ms. Uçar has been a TSKB board member since 2 December 2015.

### **Ahmet Hakan ÜNAL** Board Member

Hakan Ünal was born in 1974 in Ankara and graduated from Economics Department of the Faculty of Economics and Administrative Sciences, Hacettepe University in 1997. He then earned his MBA degree from Institute of Social Sciences, İstanbul Bilgi University in 2007. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors in 1998, he was appointed as Assistant Manager of Credit Information and Financial Analysis Division in 2008. Having served as Unit Manager between 2011 and 2016, he was promoted as Division Head of Financial Analysis Division. Mr. Ünal has been a TSKB Board Member since 6 April 2018.

### **Abdi Serdar ÜSTÜNSALİH** Board Member

Mr. Üstünsalih, born in 1963 in Trabzon, began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments at VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Mr. Üstünsalih became Executive Vice President in July 2018 and he has been CEO and Executive Board Member of VakıfBank since 27 May 2019. Moreover, Mr. Üstünsalih is a Board Member of the Banks Association of Turkey and the Chairman of Güneş Sigorta A.Ş. Mr. Üstünsalih has been serving as a Board Member of TSKB since 25 June 2019.

### **Gamze YALÇIN** Board Member

Ms. Gamze Yalçın has a BSc degree in Economics from the Middle East Technical University. She also holds a master's degree in International Banking and Finance from the University of Birmingham, UK. She attended to the Advanced Management Program (AMP193) in Harvard Business School in 2017. Ms. Yalçın started her professional career at Isbank as a business analyst in 1993 and has served in various functions of the Bank. She worked in the establishment and implementation of risk management systems and processes as a risk manager. Ms. Yalçın was appointed as Deputy Chief Executive in charge of Financial Institutions and Investor Relations on 28 November 2017. Gamze Yalçın was appointed as TSKB Board Member on 18 April 2019. Due to being a member of the Bank's Audit Committee, Ms. Yalçın is an Independent Board Member.

### **Hüseyin YALÇIN** Board Member

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at Isbank in 2011 and worked for 6 years in same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Since 6 April 2018, Mr. Yalçın has been a TSKB Board Member.

### **Can YÜCEL** Board Member

Can Yücel was born in 1978 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1999. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors, he came to several management positions at SME Loan Allocation and Corporate Loan Allocation Departments, respectively, since 2008. Between 2011-2016, Mr. Yücel served as Project Finance Unit Manager under Corporate Loan Allocation Department, and between 2016-2020 he was positioned as the Department Manager. Can Yücel was appointed as the Başkent Corporate Ankara Branch Manager on 30 January 2020. Mr. Yücel has been appointed as a member of the TSKB's Board of Directors on 10 June 2016.



## SENIOR MANAGEMENT



**SUAT İNCE**  
Board Member and CEO



**MERAL MURATHAN**  
Executive Vice President



**ASLI ZERRİN HANCI**  
Executive Vice President



**HASAN HEPKAYA**  
Executive Vice President



**ECE BÖRÜ**  
Executive Vice President



**HAKAN AYGEN**  
Executive Vice President



**HİDAYET YETKİN KESLER**  
Executive Vice President

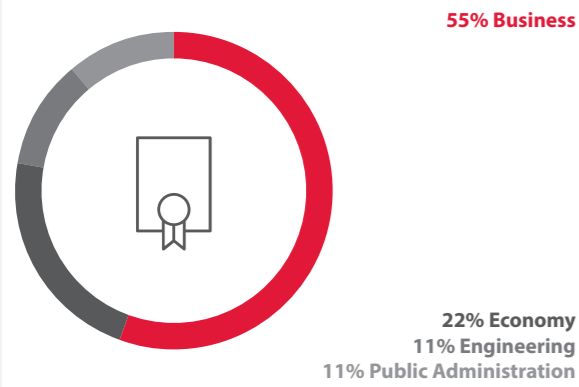


**GÖKHAN ÇANAKPINAR**  
Executive Vice President

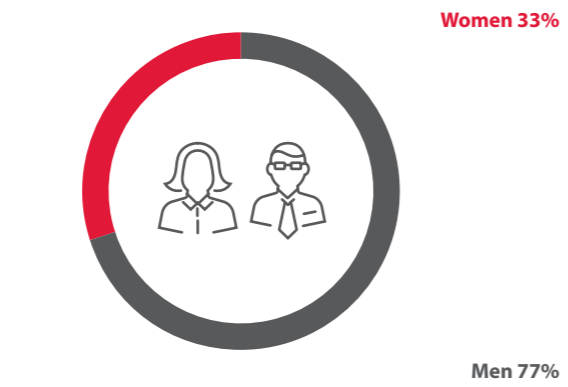


**AZİZ FERİT ERASLAN**  
Executive Vice President

### BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



### BREAKDOWN BY GENDER (%)



## SENIOR MANAGEMENT

### **Suat İNCE**

#### **Board Member and CEO**

Suat İnce was born in 1964 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Having started his professional career at İsbank as Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of the bank. He served as Deputy Chief Executive of İsbank between 2008 and 2016. On 1 April 2016, Mr. İnce was elected as a member of the TSKB's Board of Directors and appointed as the Bank's Chief Executive Officer.

### **Meral MURATHAN**

#### **Executive Vice President**

Meral Murathan was born in 1977 in Erzurum, and graduated from the department of Economics at Boğaziçi University. She started her career in TSKB Treasury Department in 1998. After serving in a variety of roles and positions, she served as Head of Financial Institutions between 2012 and 2019. As of 1 April 2019, Meral Murathan has been appointed as Executive Vice President in charge of Development Finance Institutions, Financial Institutions and Investor Relations Departments.

### **Aslı Zerrin HANCI**

#### **Executive Vice President**

Aslı Hancı was born in Ankara in 1969 and graduated from the Faculty of Business Administration at İstanbul University in 1990. Ms.Hancı began her professional career at Citibank in 1991. She worked at the Treasury department of Chase Manhattan and BNP Ak Dresdner Bank respectively. Ms. Hancı joined the TSKB Treasury Team in 2005. She was appointed as the Head of Securities Department in 2007 and as Head of Treasury Department in 2008. Since 1 January 2017, she has been Executive Vice President in charge of Treasury, Treasury and Capital Markets Operations and Loan Operations.

### **Hasan HEPKAYA**

#### **Executive Vice President**

Hasan Hepkaya was born in Samsun in 1981, and graduated from the department of Business Administration at Hacettepe University. He started his career in Garanti Leasing in 2003. After serving in a variety of roles and positions in Corporate Banking and Project Finance Departments in TSKB between 2005 - 2014, he was promoted as Head of Project Finance and Head of Corporate Banking respectively between 2014-2018. As of 1 April 2019, Hasan Hepkaya has been appointed as Executive Vice President and he has been in charge of Corporate Banking Marketing, Corporate Banking Sales, Project Finance and Corporate Communication.

### **Ece BÖRÜ**

#### **Executive Vice President**

Ece Börü was born in İstanbul in 1966 and graduated from Management Engineering Department of İstanbul Technical University in 1988. Ms. Börü joined TSKB as an assistant specialist in Financial Control Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of Board of Internal Auditors in 2006. Since 28 November 2013, Ms. Börü has been serving as the Executive Vice President of TSKB. She has been responsible for Loans, Loan Monitoring, Financial Control, Budget and Planning, and Financial Analysis.

### **Hakan AYGEN**

#### **Executive Vice President**

Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of İstanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree on Management and Organization at the Marmara University in 1996. Mr. Aygen was appointed to Head of Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted as Executive Vice President on 28 November 28 2013. Mr. Aygen has been in charge of Corporate Finance, Economic Research, Engineering and Technical Consultancy and Business Development.

### **Hidayet Yetkin KESLER**

#### **Executive Vice President**

H. Yetkin Kesler was born in İstanbul in 1966 and graduated from the Department of Industrial Engineering at Boğaziçi University in 1989. He started his career as an Assistant Internal Auditor at Koçbank in 1992. Then he completed his master's degree of Management Engineering at İstanbul Technical University in 1993. Mr. Kesler joined TSKB as a Financial Controller Specialist in 1994 and was appointed as Head of System Development in 2005, as Head of Internal Control in 2011, and as head of Enterprise Architecture and Process Management Department in 2013. Since 1 January 2017, Kesler has been Executive Vice President responsible for Human Resources and Corporate Communications, Enterprise Architecture and Process Management, Corporate Compliance and Pension and Assistance Funds.

### **Gökhan ÇANAKPINAR**

#### **Executive Vice President**

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at İsbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since 27 December 2011 he has been working as an Executive Vice President. He has been in charge of System and Network Support, Application Development, Support Services since 1 January 2017.

### **Aziz Ferit ERASLAN**

#### **Executive Vice President**

Aziz Ferit Eraslan was born in İstanbul in 1969. Following his graduation from the Public Administration Department of Orta Doğu Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at İsbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of İsbank, Mr. Eraslan was appointed as Deputy Manager in 2000 and as Group Manager in 2003. Between 2007 and 2012, he was positioned as the Department Head at the Accounting Department, name of which was in time transformed to Financial Management Department. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer Position at Closed Joint Stock Company İsbank. In October 2015, he was appointed as Executive Vice President who is responsible for Board of Inspectors, Risk Management and Internal Control Departments at TSKB.

## CORPORATE GOVERNANCE

### SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter "TSKB" or the "Bank") is subject to "Corporate Governance Principles" compliance of which is obligatory for banks within the framework of Capital Markets Board (CMB) and banking regulations. According to the Bank's Articles of Association Article 55, transactions made and the resolutions of the Board of Directors passed by not observing the said obligatory principles shall be deemed as conflicting with the Articles of Association. The Bank applies the compulsory principles in "Banks' Corporate Governance Principles Regulation" and "Corporate Governance Communique".

Although most of the non-compulsory Corporate Governance Principles are met, there are still some principles observed incompletely, which are stated below. There are no conflicts of interest arising from failure to fully comply with the non-compulsory principles that the Bank has been exposed to.

In relation to the principle no. 1.5.2, there is no regulation in the Bank's articles of association except for the provisions stipulated by the relevant legislation on minority rights.

In relation to the principle no. 4.6.1, a dedicated effort for Board of Directors performance assessment was not delivered.

In relation to the Principle 4.6.5, due to corporate policies, the Bank does not announce the remuneration of the senior management and board member on a personal basis. The total figure is announced in the annual report.

Filed in accordance with Capital Market Board Resolution numbered 2/49 and dated January 10, 2019, Bank's Corporate Governance Principles Compliance Report (CRF) and Corporate Governance Information Filings (CGIF) can be reached at Public Disclosure Platform (PDP).

As one of the leading institutions in corporate governance, the Bank continued to maintain its position among the highest-rated institutions in 2019. TSKB's corporate governance rating has been increased to 9.56 from 9.54 over 10 as the result of the assessment of Saha Rating on October 18, 2019.

#### TSKB's Corporate Governance Rating

Main Sections	Weight	Grade
Shareholders	0.25	9.51
Public Disclosure and Transparency	0.25	9.70
Stakeholders	0.15	9.85
Board of Directors	0.35	9.37
<b>Total</b>		<b>9.56</b>

### SECTION II - SHAREHOLDERS

#### 2.1. Investor Relations Department

Duties and responsibilities of "Stakeholder Relations Department" are executed pursuant to the fundamentals of corporate governance which are transparency, accountability, responsibility and equality by the departments of Financial Institutions&Investor Relations and Legal Affairs. "Investor Relations Department Manager", who holds Capital Market Activities Advanced Level Certificate and Corporate Governance Rating Specialist Certificate, serves as a member of Corporate Governance Committee as per the provisions of the governing legislation.

Contact details of the employees who take part in Investor Relations are given in the following table:

Full Name and Title	Phone No	Electronic Mail Address
<b>Ece Börü</b> Executive Vice President for Loans, Loan Monitoring, Budget Planning, Financial Control and Loans Analysis	0 212 334 51 91	borue@tskb.com.tr
<b>Meral Murathan</b> Executive Vice President for Financial Institutions and Investor Relations, Development Finance Institutions	0 212 334 51 24	murathanm@tskb.com.tr
<b>Ayşe Nazlıca</b> Head of Financial Institutions and Investor Relations Department	0 212 334 51 94	nazlicaa@tskb.com.tr
<b>Gizem Pamukçuoğlu</b> Financial Institutions and Investor Relations Department Senior Manager	0 212 334 52 58	erarslang@tskb.com.tr
<b>Özen Çaylı</b> Financial Institutions and Investor Relations Department Manager*	0 212 334 52 49	halilogluo@tskb.com.tr
<b>Özlem Bağdatlı</b> Head of Legal Affairs Department	0 212 334 50 93	bagdatlio@tskb.com.tr
<b>Korhan Aklar</b> Legal Affairs Department Senior Manager	0 212 334 50 92	aklark@tskb.com.tr

\*Ms. Özen Çaylı, Investor Relations Department Manager, holds Capital Market Activities Advanced Level Certificate (Certificate No:204985) and Capital Market Board Corporate Governance Rating Specialist Certificate (Certificate No: 701337).

#### 2.2. General Assembly Meeting

During the Ordinary General Assembly held on March 19, 2019, the shareholders were given the right to ask questions and one information request was received and answered by TSKB.

The Ordinary General Assembly Meeting of 2018 was held in the physical and electronic environment, with the participation of 213,393,521,324 shares representing such capital in the total amount of 2,133,935,213.252 TL of 280,000,000,000 shares corresponding to the Bank's total capital of 2,800 million TL. The participation rate was 76%.

The following resolutions were discussed and voted by the shareholders at the meeting:

- Constitution of the Meeting Council in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Council for the execution of the minutes of the General Assembly, was resolved unanimously by the shareholders.
- Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within

- the year of 2018, was approved by majority of the shareholders' votes.
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2018, was adopted by majority of the shareholders' votes.
- Determination of allowance for the Members of the Board of Directors, was approved by the majority of the shareholders' votes.
- In line with the Bank's Profit Distribution Policy and in light of the economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels, and assessment by the Banking Regulation and Supervision Agency about our Industry, decision to maintain the profit in equity accounts was unanimously approved by the shareholders.
- Determination of the attendance fee to be paid to the Members of the Board of Directors has been resolved by majority of the shareholders' votes.
- Appointing the independent audit firm, was adopted by the majority of the shareholders' votes.
- Amendments of Articles 11, 23 and 47 of the Bank's Articles of Association were adopted by the shareholders unanimously. These amendments can be accessed through the Public Disclosure Platform (PDP) statement dated 11.04.2019.

## CORPORATE GOVERNANCE

- The Bank's renewed Profit Distribution Policy has been adopted by the shareholders unanimously. The renewed Profit Distribution Policy can be accessed from the PDP disclosure on 01.03.2019.
- The Bank's renewed Information Disclosure Policy was submitted for the Information of the General Assembly. The renewed Disclosure Policy can be accessed from the PDP disclosure on 01.03.2019.
- Donations made during the year, 160,000 TL, were submitted for the Information of the General Assembly. In addition, the determination of the upper limit for donations to be made in 2019 was approved with the majority of shareholders.
- Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commerce Code, Articles 395 and 396.
- Pursuant to the Article 1.3.6. of the Comminique for the Adoption and Implementation of the Corporate Governance Principles applicable by the Capital Markets Board, shareholders were informed that İş Bankası A.Ş. and TSKB are companies operating in the same sector and that some members of the Board of Directors are currently working for İş Bankası A.Ş. and Vakıflar Bankası T.A.O. in management positions.

Throughout the period, there has been no transaction where the decision had to be left to the discretion of the General Assembly due to independent board of directors' member rejections. The resolutions of the General Assembly meeting were published on PDP on 28.03.2019.

### 2.3. Profit Distribution Policy

Dividend Payment Proposal of the Board of Directors is prepared in the framework of Profit Distribution Policy approved by the General Assembly regarding the sensitive balance between shareholders' expectations and the bank's growth requirement and the profitability of the Bank. Principles governing the Bank's dividend distribution are arranged in the Articles of Association, Article 47, and there are 100 founders' shares that receive a portion of the profits distributed subject to these principles.

The Bank's dividend payment policy was disclosed to shareholders on the Bank's Turkish and English websites.

In the General Assembly Meeting on 28.03.2019, in line with the Bank's Profit Distribution Policy and in light of economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels and assessment by the Banking Regulation and Supervision Agency about our Industry, the Proposal by our Board of Directors was unanimously

approved, whereby a sum of TL 33,046,281.15 should be set aside as the statutory reserve fund out of the net financial year profit in the amount of TL 660,925,623.04 that was generated in 2018 and that a sum of TL 627,879,341.39 be transferred to extraordinary reserves and maintained in equity accounts. It was stated in the General Assembly Invitation published on PDP on 01.03.2019 that no dividend will be distributed.

### SECTION III – STAKEHOLDERS

The stakeholders, who have an interest in the bank, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, the government and potential investors submit their complaints and recommendations to the Bank by means of a communication form that can be found on the Bank's website. Furthermore, stakeholder analysis done every two years contributes in this aspect.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues. The Bank, which continues to develop mechanisms to include employees into decision-making processes, receives employee feedback via committee activities as well as periodic surveys. Besides, having gathered employees from every department, the Bank also has put the "HR Representatives" project into practice in 2017. There are no trade union activities

The participation of employees to the management is incorporated to the internal regulations. The employees are authorized according their signing rating in pursuant to the Directive of Türkiye Sınai Kalkınma Bankası transfer of Representation Authority published on Trade Registry Newspaper at page 483, dated November 11, 2005 with the number 8944.

Employees are able to convey their opinions and claims to the relevant persons and have contribution to the company resolutions by means of "I Have a Recommendation" and "Complaint Form" that they can access on the Bank's intranet. Moreover, there are many committees that are formed by the Bank employees, concentrating on various issues. Participation of the employees in management is also made possible by means of these committees.

## SECTION IV – BOARD OF DIRECTORS

### 4.1. Board Members

Board of Directors consists of 11 members, which allows the activities of the Board of Directors to be organized effectively. Information about the Board of Directors' members and the CEO are given in the following table and their detailed resumes are accessible at the Bank's website and annual reports.

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Hakkı Ersin Özince	Board Chairman	Middle East Technical University, Economics and Administrative Sciences / Business Administration	43 years	4 May 2017	-	-
Mehmet Şencan*	Board Vice Chairman	Istanbul Technical University/ Management Engineering	31 years	7 Jun 2017	Audit Committee Chairman, Credit Revision Committee Member	Anadolu Anonim Türk Sigorta CEO, İş Faktoring A.Ş. Board Chairman, JSC Isbank Board Vice Chairman
Suat İnce	Board Member and CEO	Middle East Technical University, Economics and Administrative Sciences/ Economics	32 years	1 Apr 2016	Credit Revision Committee Member	TSKB A.Ş. CEO, Yatırım Finansman Menkul Değerler A.Ş. Board Chairman
Yavuz Canevi	Board Member	University of Southern California/M.A. In Economics	39 years	9 Apr 2015	-	Türkiye Ekonomi Bankası Board Chairman, FNSS Savunma Sistemleri A.Ş. Board Chairman, Global Relations Forum Founding Member, TÜSİAD High Advisory Council Member
Mithat Rende	Independent Board Member	London-RCDS/Security and International Relations	31 years	4 Apr 2017	Sustainability Committee Member	Engie Yönetim Enerji Hizmetleri ve Ticaret A.Ş. Independent Board Member, Turabder-Türkiye AB Derneği Member, Global Relations Forum Member

## CORPORATE GOVERNANCE

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Zeynep Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Business Administration	26 years	2 Dec 2015	Corporate Governance Committee Member, Remuneration Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Subsidiaries Department Head, Anadolu Cam Sanayi A.Ş. Board Member, Paşabahçe Cam Sanayi A.Ş. Board Member, Trakya Cam Sanayi A.Ş. Board Member, Türkiye Şişe ve Cam Fabrikaları A.Ş. Board Member, Trakya Yatırım Holding A.Ş. Board Chairman
Ahmet Hakan Ünal	Board Member	İstanbul Bilgi University/ B.A. in Business Administration	21 years	6 Apr 2018	Credit Revision Committee Member	T. İş Bankası A.Ş. Financial Analysis and Intelligence Department Head
Abdi Serdar Üstünsalih	Board Member	Selçuk University, MS. Public Administration, Gazi University, MS. Information Technologies	29 Years	25 Jun 2019	-	T. Vakıflar Bankası T.A.O. CEO, Güneş Sigorta A.Ş. Board Vice Chairman , Vakıf Enerji Board Vice Chairman
Gamze Yalçın**	Board Member	Middle East Technical University, Economics and Administrative Sciences/Economics	27 Years	18 Apr 2019	Audit Committee Member, Corporate Governance Committee Chairman, Remuneration Committee Chairman	T. İş Bankası A.Ş. Executive Vice President, İş Yatırım Ortaklığı A.Ş. Board Chairman, Isbank AG Board Vice Chairman, Türkiye Risk Yöneticileri Derneği Founding Member
Hüseyin Yalçın	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	42 years	6 Apr 2018	-	Retired bank employee
Can Yücel	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	20 years	10 Jun 2016	Credit Revision Committee Member, Sustainability Committee Member	T. İş Bankası Başkent Corporate Branch Manager, Isbank AG Board Member, JSC Isbank Georgia Board Vice Chairman

\*Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

\*\*The working principles of the Board of Directors Committees are available on the Bank's website.

Board Member Ms. Ebru Özşuca, resigned from her post on 08.04.2019. At the Bank's Board of Directors Meeting held on April 8, 2019, it was decided Ms. Gamze Yalçın to be appointed as a Board Member within the framework of Article 363 of the Turkish Commercial Code.

Board Member, Mr. Mehmet Emin Özcan resigned from his post on 31.05.2019. Mr. Abdi Serdar Üstünsalih has been elected as a member of the Board of Directors as part of the Article 363 of the Turkish Commercial Code.

In regard to the "Policy for Female Participation in the Board of Directors" composed in 2014, assessments have been done by the Board of Directors every year. As of December 31, 2019, there was two women members in the Board of Directors. With the Board Decision dated March 26, 2019 the targeted period was extended.

### 4.2. Operating Principles of the Board of Directors

Board of Directors gathers periodically, at least once a month, or more where the Company's business so dictates. The meeting date is set so as to allow participation of all Board Members, and Board of Directors meetings are held by participation of all members, excluding the exceptional cases under unforeseen circumstances.

In principle, Board Members participate in every meeting. Moreover, Board Members may choose to participate Board Meeting on electronic environment.

The Board's first meeting is preferably held on the same day that the board is elected. At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

A draft of the agenda for a board meeting is prepared by the CEO and finalized in line with the suggestions of the chairman and other directors. The information and documents pertaining to items on the board's agenda are sent out to members to be reviewed at least four days before the meeting. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

There is a secretariat in place for the purpose of notifying and organizing the communications with the Board of Directors. Summoning the Board of Directors meetings are made by means of phone at first, which is followed by written invitation.

Each board member is entitled to a single vote. As stipulated in the Articles of Association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board of Directors convened 47 times between 1 January 2019 and 31 December 2019. In this period, there was not any significant transaction with any affiliated parties that would require approval of General Assembly.

The possible losses resulting from mismanagement of Board of Directors and all Bank managers are under the coverage of USD 25 million insurance, which is signed by Türkiye İş Bankası A.Ş. for its group companies.

Information on the Board of Directors Committees is available in the Investor Relations section of the Bank's website under Investor Relations

### 4.3. Remuneration Policy

The Bank carries out its activities regarding remuneration policies within the framework of the related banking regulations and Capital Market regulations. TSKB's Remuneration Policy is available on the Bank's corporate website in Investor Relations section. This policy covers all managers and employees.

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-loan extended by the bank.

The total amount of financial benefits paid such as bonus, dividend, wage, etc. to members of Board of Directors and senior management is TL 13,873 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 307,787.

## PROFIT DISTRIBUTION PROPOSAL

Pursuant to 47<sup>th</sup> article of our Articles of Association General Assembly shall be offered to reserve 2019 Net Profit of TL 701,644,528.69 as;

1. in accordance with paragraph (a) of the relevant article, allocation of TL 35,082,226.43 which is 5% of the net profit as legal reserves,
2. Allocation of the remainder TL 666,562,302.26 as extraordinary reserves.

We hereby submit to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

### Note On The Profit Distribution Proposal

In accordance with the Bank's Dividend Policy; considering the national and global economic conditions, the long term growth targets of the Bank, the sustainability of its strong equity structure, as well as the Banking Regulatory and Supervisory Agency's guidance regarding the banking sector, it will be submitted to the approval of the General Assembly, as shown in the attached 2019 Profit Distribution Proposal that of the net profit of TL 701,644,528.69, TL 35,082,226.43 will be reserved as general legal reserve, and the remaining TL 666,562,302.26 will be set aside as extraordinary reserves under shareholders' equity.

## SUMMARIZED BOARD OF DIRECTORS' REPORT

Esteemed shareholders,

You are all welcome to the 70<sup>th</sup> Ordinary General Assembly Meeting of our Bank.

We would like to convey our kindest regards to our shareholders, their representatives and guests for honoring the hall and hereby submit to your examination and approval the Board's Annual Report and Independent Audit Report for 2019 accounting period as well as profit and loss statements.

Due to trade wars and elevated geopolitical risks, global economic growth lost momentum in 2019 in line with expectations. This led to synchronized reductions in global policy rates.

Turkey's economy, on the other hand, has passed from a rebalancing process into a recovery period in the second half of the year and, subsequently, improvements in financial indicators began to be observed. Inflation fell from 20.3% at the end of 2018 to 11.8% at the end of 2019, and USD/TL currency rate stabilized within the 5.70-5.90 range. GDP growth, which was 0.9% in 2019, is expected to be replaced by a strong recovery in 2020.

Although the banking sector loans started the year with a strong growth, it turned to a flat course with local elections and increasing geopolitical risks in the second quarter. In the second half of the year, loan growth gained momentum with the recovery in economic activity and the Central Bank's stimulation of loan growth through reserve requirements. At 2019 year-end, the asset size of the banking sector rose to TL 4.5 trillion with a hike of 16% and its total shareholders' equity expanded by 17% to reach TL 492 billion. Total loans in the sector lifted up by 11% to reach TL 2.7 trillion.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2019, on a year-on-year basis, the Bank elevated:

- its shareholders' equity by 20% to reach TL 5,666,896 thousand,
- its loan stock by 13% to reach TL 31,424,168 thousand,
- its total assets by 10% to reach TL 42,000,098 thousand.

The Bank posted a net income of TL 701,645 thousand with a surge of 6% year-on-year in 2019. As of 2019 year-end, our capital adequacy ratio, return on equity, return on tangible equity (calculated excluding market valuations of subsidiaries), return on assets and NPL ratio stood at 17.8%, 13.5%, 16.1%, 1.8% and 3.5% respectively.

Availing ourselves of this opportunity, we would like to thank our business partners, employees and all stakeholders for their contribution to such successful results and extend our warmest regards to our shareholders that honored our General Assembly meeting.

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.  
BOARD OF DIRECTORS

## OTHER MAJOR UPDATES ON CORPORATE OPERATIONS

### Disclosures on Private Audit and Public Audit During the Accounting Period

During the current accounting period, a private audit has not been conducted at the Bank as per Articles 207, 438 and 439 of the Turkish Commercial Code. The Bank is subject to public audit by public institutions such as the BRSA, CBRT, CMB and the Competition Authority. If any matters requiring a public disclosure arise in relation to the audits conducted at the Bank by public institutions, they are publicly shared through material disclosures.

### Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Violating Legislative Provisions

Information on court proceedings are provided in the annual report and in section III/4 of part five of the non-consolidated audit report.

### Related Party Transactions

Information on the Bank's related party transactions are provided in the footnotes for the Audit Report. The conclusion of the Subsidiaries Report for 2019 drafted pursuant to Article 199 of the Turkish Commercial Code No. 6102 is provided below:

"Between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto, there are no legal procedures completed under the instructions of our controlling shareholder to the benefit of the latter or of a company affiliated thereto and no measures taken or avoided to the benefit of our controlling shareholder or a company affiliated thereto.

Furthermore, the commercial transactions, which are concluded between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto and are provided in the report in detail, are transactions required by our Bank's operations and are completed over the equal values applicable in the market. They are compliant with the principle prescribed in Article 202 of the Turkish Commercial Code No. 6102 that the controlling shareholder cannot exercise its control in a way to inflict loss on its subsidiaries.

There are no decisions against or transactions inflicting loss on our Bank under the instructions of Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto."

### Information on Operational Fields for which Support Services are Outsourced Pursuant to the Regulation on Outsourcing of Support Services by Banks and Information on the Persons and Organizations Supplying Such Services

The following services the Bank used in 2019 fall into the scope of the Regulation on Outsourcing of Support Services by Banks promulgated on November 5, 2011.

1. Server Hosting for Emergency Services provided by Superonline İletişim Hizmetleri A.Ş.
2. Riskfree Treasury Valuation System Service provided by Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
3. Swift Service Office Main Connection Service provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.
4. Internal Rating Model and Assets-Liabilities Management Infrastructure and Maintenance Service provided by Prometeia SPA
5. EFT Software Maintenance Service provided by Mor Teknoloji Yaz. İlet. Bil. Dan. ve En. San. Tic. Ltd. Şti.
6. Building and Employee Security Service provided by Tepe Savunma ve Güvenlik Sistemleri San. A.Ş.

### Amendments in the Articles of Association During the Year

The amendments of Article 11 titled "Issue of Bonds and Other Securities, with a right to purchase-replace", Article 23 titled "Board of Directors' Remuneration" and Article 47 paragraph d titled "Distribution of Dividend" of the Articles of Association of our Bank have been registered by the Registry of Commerce of Istanbul dated 10.04.2019 and promulgated in the Official Gazette No. 9810 dated 16.04.2019.

## RISK MANAGEMENT POLICIES

### Information On Risk Policies Based On Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the Bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

### Credit Risk Management Policy

Credit risk is the possibility that the credit customer or a counterparty of an agreement being unable to fulfill the obligations pursuant to the conditions of the agreement. Whilst the most common and apparent source of credit risk is the loans granted by the Bank, other banking services carrying counterparty risk also carry credit risk. In this regard, all related banking activities are evaluated within the scope of credit risk.

Credit risk is measured and managed by taking into account the structure and characteristics of the credit, the terms and conditions of the credit agreement and financial conditions, the structure of the risk profile until the end of the maturity in parallel with possible market movements, guarantees and collaterals, internal risk ratings, possible changes in ratings during the risk exposure period, concentrations (one single company, group of affiliated companies, sector, country, etc.) and compliance with limits established by the Board of Directors to prevent such concentrations.

In measuring credit risk, the Internal Rating Based Model is used for the purposes of monitoring and controlling the credit risk and providing early warning.

Maximum effort is taken to ensure that limits and policies in agreements with foreign and domestic sources do not diverge to a significant degree from the policies and limits set by the Bank. Despite the clauses in the agreements deviate from the existing policies, they are still accepted to be in force.

### Asset-Liability Management Risk Policies

All financial risks arising from the Bank's assets and liabilities other than credit risk are defined as asset-liability management risks. The market risk of the trading portfolio, structural interest rate risk and liquidity risk fall into this category.

## RISK MANAGEMENT POLICIES

### I - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolio resulting from fluctuations in interest rates, stock prices, commodity prices or exchange rates on the financial markets. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Market risk is managed by using consistent risk measurement and criteria such as fluctuation level of interest and/or prices and Value at Risk calculations, establishing appropriate procedures regarding the performance of control and observing compliance with the identified risk limits.

Interest rate risk, exchange rate risk, stock and commodity price risk and exchange risks constitute the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is evaluated and monitored carefully.

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by back testing which is the comparison between the calculated Value at Risk and realized losses. In addition; stress tests are applied in order to determine the impacts of events, with low possibility of realization but substantial losses, on Value at Risk.

### II - Structural Interest Rate Risk Management Policy

Structural interest rate risk is the risk of change in the Bank's capital due to possible changes in interest rates through differences in the repricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

### III - Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the Bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.

### Operational Risk Policy

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethical standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of Daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

### Risk Management Policy For Subsidiaries

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

### Policies Regarding Other Risks

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill-timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the customers and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the Bank.



## STRUCTURE OF THE AUDIT COMMITTEE

### Activities Of The Committees Established Within The Scope Of Risk Management, And Names And Surnames Of The Chairmen And Members Of These Committees

#### Audit Committee

Audit Committee is composed of 2 members, which were elected among the non-executive Members of the Board of Directors. Currently, Audit Committee members are Mr. Mehmet Şencan and Ms. Gamze Yalçın.

Audit Committee is responsible for;

- Ensuring the effectiveness and adequacy of the internal audit, internal control and risk management systems within the framework of the relevant legislation, on behalf of the Board of Directors,
- Supervising the functioning of the Internal systems, accounting and reporting systems within the framework of the Law and relevant regulations, and maintaining the integrity of the information produced,
- Making pre-assessment for the Board of Directors to choose independent audit corporations, and corporations that provide rating, valuation and support services, and regularly monitoring the activities of these corporations that sign contract with the Bank after they are chosen by the Board of Directors,
- Continuing and enabling the coordination of the Internal audit activities of the subsidiaries subject to consolidation in a consolidated manner,
- Regularly receiving reports from the units established within the scope of Internal systems, and from the independent audit corporations with respect to their execution of the tasks and reporting the detected malfunctions to the Board of Directors.

All members of the Audit Committee attended the 34 meetings held by the Audit Committee in 2019.

### DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

Executive Vice President In Charge Of Internal Systems: Aziz Ferit Eraslan

Term of Office	Professional Experience	Worked Previously In	Education
4 Years	27 Years	Isbank Financial Management Department, CJSC Isbank (Russia)	Master's Degree Abroad

Head of Internal Auditors: Mehmet Sungun

Term of Office	Professional Experience	Worked Previously In	Education
6 Years	26 Years	Financial Analysis, Loans, Corporate Banking, Risk Management Departments	Master's Degree in Turkey

Head of Risk Management: Fuat Sönmez

Term of Office	Professional Experience	Worked Previously In	Education
3,5 Years	21 Years	System Development and Quality Management, Board of Internal Auditors, Process Management Departments	Bachelor's Degree in Turkey

Head of Internal Control: Simay Kimyacı

Term of Office	Professional Experience	Worked Previously In	Education
3 Years	21 Years	Treasury Department	Bachelor's Degree in Turkey

## AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE'S ASSESSMENT ON FUNCTIONING OF INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THEIR ACTIVITIES IN 2018

Audit Committee held 34 meetings in 2019. In these meetings, the Audit Committee carried out activities to fulfill the duties and responsibilities specified within the scope of "Activities of the Committees established within the scope of Risk Management, and Names and Surnames of the Chairmen and Members of these Committees" Section of the Annual Report, and the "Regulation On The Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy".

Internal audit, internal control and risk management activities in the Bank are carried out by the Board of Internal Auditors, Internal Control Department, and the Risk Management Department. Relevant departments' duties and responsibilities were specified by the regulations approved by the Board of Directors. All three departments carry out their activities under the Executive Vice President in charge of Internal Systems, who is independent from executive activities and executive units and directly reports to the Audit Committee. Evaluating the internal systems established to cover all branches and units, and subsidiaries subject to consolidated audit, their functioning, and maintaining their adequacy and effectiveness are among the Board of Directors' priorities. Within the scope of internal systems, Board of Directors' duties and responsibilities are fulfilled by the Board of Directors, Audit Committee, Executive Vice President who is in charge of internal systems, and Departments of Internal Audit, Internal Control and Risk Management.

#### Board of Internal Auditors

Board of Internal Auditors provides assurance in; i) carrying out bank activities in line with the Law and other relevant legislation as well as the internal strategies, policies, principles and targets of the bank, and ii) effectiveness and adequacy of the internal control and risk management systems. Planning and carrying out its audit activities with risk oriented approach, the Audit Board evaluates the potential risks in Headquarters units, one branche, subsidiaries and Bank's information systems and processes, and evaluates whether or not internal control, risk management and corporate governance systems are compliant, effective and efficient as well as examining the accuracy and reliability of accounting records and financial reports.

Board of Internal Auditors does not only deliver findings as a result of the audits it conducts. It also develops opinions and suggestions that will prevent deficiencies, faults and misconducts (if any) from repeating, develop processes, increase efficiency and effectiveness and strengthen internal systems. Furthermore, it follows up the findings and related measures taken closely as well as providing information about the developments with respect to the issues tracked in the Audit Committee meetings held during the year.

In 2019, Board of Auditors conducted 37 audits in terms of banking processes and information systems in total composed of Head Office departments, Bank's 3 subsidiaries as well as 6 firms from which the Bank procured banking processes and support services.

As a result of the audits and assessments made in 2019, there have not been any material finding identified, that may have negative impact on the Bank's activities, and hinder the Bank from fulfilling its liabilities. It was concluded that; the Bank's Internal control and risk management systems functioned well, Bank's activities had low risk in general, financial and legal reports were accurate, Bank complied with the legislation.

In conclusion; the internal audit system was effective and successful in measuring, detecting and eliminating risks with its risk oriented approach, qualified human resources, experienced and prudent management.

## AUDIT COMMITTEE REPORT

### Internal Control

The Internal Control Department is responsible for the presence of the internal control system that covers control activities to identify in advance and manage the risks to which the Bank may be exposed in its efforts to achieve its aims; to ensure that the Bank's operations are effective and productive; to protect the Bank's assets; to comply with current laws and regulations; and to safeguard the reliability and integrity of the accounting and financial reporting systems. Within this scope, internal control activities are carried out by the competent and experienced internal control personnel.

According to Banking Regulation and Supervisory Association (BRSA) regulation published in the Official Newspaper on June 11, 2014 dated with the number 29057 internal control activities are a part of all of the executive functions of the Bank. It is expected that a structure in compliance with the COSO components established, units carry out self-assessment, function processes and potential threads induced by the operations and the assessment of weaknesses for these threads and the adverse impact of the related threads and weaknesses are analysed.

Accordingly, "Operational Risk Map" workshop was launched by the Internal Control Department, within the 2018 masterplan. As a result of this workshop, establishment of a strong corporate culture and measurement of discrete and inter-related operational risks will be realized as stated in Guide to Operational Risks of BRSA.

It is targeted with the project that Triple Defense Line that is an effective method to manage risks and control the operational activities in the future will be developed. Therefore, it is targeted to provide a concrete basis for forcefulness and the perfection of the assurance to the stakeholders, legal entities, employees, and the Board of Directors and to compose a meaningful operational loss data pool that will be a base or advanced measurement approach.

As the process of preparing an "Operational Risk Map" started in 2018 with the Treasury operations, it will continue with the other banking activities and it will be repeated every year to follow the developments of the operational risk levels.

### Risk Management

The risk management process, which is organized under risk management regulations and serves for the establishment of a companywide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities. Risk Management Department; i) carries out these activities developing the systems needed within this scope, ii) monitors risks' compliance with policies and standards, and Bank limits, iii) continues the activities for compliance with the relevant legal legislation and the Basel criteria. Risk measurements specified in reporting, are made with an approach developed in internal models besides the standard approach used in legal reporting, while they are also supported with the stress tests.

Risk Management Department submits its detailed unconsolidated risk management reports prepared on monthly basis and consolidated risk management reports on quarterly basis to the Board of Directors via the Audit Committee.

In 2019, in addition to the reports presented to the Board of Directors; risk and capital adequacy measuring and reporting activities for legal and MIS purposes continued.

Activities were carried out to comply with the various legal regulations and Risk Guidelines.

Besides, activities of the Internal Capital Adequacy Assessment Process (ICAAP) and its reporting process, were coordinated. Within this scope, detailed stress tests and scenario analysis were conducted, and projections were made for future period's capital requirement.

Other than routine operations in 2019; infrastructural improvements were made for compliance with the draft regulations used by the BRSA, existing reporting and systematic monitoring of limits.

The Audit Committee continued to report to Board of Directors regarding the operational results, necessary measures, practices and its comments on other critical issues that ensure the Bank's operations to continue reliably.

The Audit Committee monitored the compliance of the Bank to regulations pertaining to internal control, internal audit and risk management and to Bank policies and practices which are approved by the Board. As a result of the Audit Committee's evaluations and reviews, it was seen that the Bank's internal systems were effectively functioning as they were planned, and that the internal controls made for financial reporting were effective. The Audit Committee evaluated the support services that the Bank procured, and monitored the efforts of taking certain measures for managing the risks efficiently in the procurement process. Moreover; independent audit results, yearly and quarterly financial results as well as independent audit reports were assessed with the independent auditors. During their operations related to the Bank; the independency of the rating agencies', independent auditors' and appraisal companies' and the sufficiency of the resources allocated to them were reviewed.

With respect to the activities and functioning of internal systems - internal audit, internal control and risk management - in 2019; we believe that the activities performed were highly qualified and satisfactory.

Mehmet Şencan  
Chairman of the Audit Committee

Gamze Yalçın  
Audit Committee Member

## ASSURANCE LETTERS AND ISO CERTIFICATES

- 132 Independent Auditor's Report on The Annual Report of the Board of Directors
- 134 Independent Assurance Statement
- 136 Reporting Guidance
- 138 ISO 14001 Certificate
- 139 ISO 14064 Certificate



## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Türkiye Sınal Kalkınma Bankası A.Ş.

### 1) Qualified Opinion

We have audited the annual report of Türkiye Sınal Kalkınma Bankası A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") for the period of 1 January 2019 – 31 December 2019.

In our opinion, except for the matter disclosed in the Basis for Qualified Opinion Paragraph, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

### 2) Basis for Qualified Opinion

As we have expressed a qualified opinion in our auditor's reports dated 3 February 2020, the consolidated financial statements of the Group as at 31 December 2019 include a free provision at an amount of TL 220.000 thousands, was provided in prior years respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years Profit/Loss" as of 31 December 2019 is understated by TL 220.000 thousands.

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 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's reports dated 3 February 2020 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2019 – 31 December 2019.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
  - Subsequent events occurred after the end of the fiscal year which have significance.

- The research and development activities of the Group.
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, "Regulation on Accounting Applications for Banks 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 Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



2 March 2020  
İstanbul, Türkiye

## Limited Assurance Report to the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş.

We have been engaged by the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the Türkiye Sinai Kalkınma Bankası A.Ş. Integrated Annual Report ("the 2019 Integrated Annual Report") for the year ended 31 December 2019 and listed below.

### Selected Information

The scope of the Selected Information for the year ended 31 December 2019, which is subject to our independent limited assurance work, set out in the "Reporting Guidance" on 136-137 pages of the 2019 Integrated Annual Report is summarised below:

- Share of sustainability themed loans in loan portfolio as at end of 2019
- Gender ratio of management
- Gender ratio of Board of Directors
- Training hours (average hours of training per employee)
- Participation rate for employee satisfaction survey
- Internal environmental impacts of the Bank's activities
  - . Electricity consumption (kwh)
  - . Natural gas consumption (m3)
  - . Water consumption (m3)
  - . Paper consumption (kg)
  - . Electricity intensity (Consumption in kWh/m<sup>2</sup>)
  - . Water intensity (Consumption in m<sup>3</sup> / Staff)
  - . Recycled waste amount (kg)
- Total installed capacity funded from renewable energy portfolio as at end of 2019
- Share of this installed capacity in Turkey's renewable energy capacity as at end of 2019
- Contribution to CO<sub>2</sub> emission reduction as at end of 2019

Our assurance was with respect to the year ended 31 December 2019 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2019 Integrated Annual Report and, therefore, do not express any conclusion thereon.

### Criteria

The criteria used by the Bank to prepare the Selected Information is set out in Reporting Guidance' (the 'Reporting Guidance') on page 136-137 of the 2019 Integrated Annual Report.

### The Bank's Responsibility

The Bank is responsible for the content of the 2019 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

### Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure nonfinancial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.


Given the circumstances of the engagement, in performing the procedures listed above we:

- making inquiries of the persons responsible and the Bank's management for the Selected Information;
- understanding the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- undertaking analytical procedures over the reported data.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2019, is not properly prepared, in all material respects, in accordance with the Reporting Guidance. This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Sinai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2019 Integrated Annual Report for the year ended 31 December 2019, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş. as a body and the Türkiye Sinai Kalkınma Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

  
Ediz Günsel, SMMM  
Partner

Istanbul, 2 March 2020

## TÜRKİYE SİNAİ KALKINMA BANKASI 2019 INTEGRATED ANNUAL REPORT – REPORTING GUIDANCE

This reporting guidance (“Guidance”) provides information on the data preparation and reporting methodologies of indicators within the scope of the independent audit in the 2019 Türkiye Sınai Kalkınma Bankası (“Bank”) Integrated Annual Report. These indicators include share of sustainability themed loans in loan portfolio, gender ratio of management, gender ratio of Board of Directors, training hours, participation rate for employee satisfaction survey, internal environmental impact of the Bank (electricity, natural gas, water and paper consumption, electricity and water intensity, recycled waste amount), total installed capacity funded from renewable energy portfolio, Share of this installed capacity in Turkey’s renewable energy capacity and contribution to CO<sub>2</sub> emission reduction. It is the responsibility of the Bank’s management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance. The data included in this guideline is for the FY 19 (1 January – 31 December 2019), fiscal year ended December 31, 2019, comprises only the relevant operations that are the responsibility of the Bank and excludes information about group companies.

### General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

### Key Definitions

For the purpose of this report, the Bank defines:

Capital	Indicator	Scope
		This indicator means the percentage (%) by financial value (in USD) of the Bank’s sustainability-themed loans (excluding loans to financial sector) compared to the Bank’s total loan portfolio as at the end of 2019. This percentage was obtained by excluding the loans extended to the financial sector while including APEX loans in the Bank’s total loan portfolio. Sustainable themed loans are listed under 3 main headings:
		APEX Loans: The Bank defines APEX loans as the loans provided only to SMEs and exporters through other financial institutions including leasing companies, commercial banks and participation banks
		Themed loans Titles under sustainable loans are:
Financial	Share of sustainability themed loans in loan portfolio	<ul style="list-style-type: none"> <li>• Energy Generation (excluding thermic power plants)</li> <li>• Energy and Resource Efficiency</li> <li>• Environment</li> <li>• Sustainable Tourism</li> <li>• Electricity and Gas Distribution (not the whole loan but the infrastructure loans within the sub-sector)</li> <li>• Education&amp;Health</li> <li>• Small&amp;Medium Enterprises</li> <li>• Women Employment</li> <li>• Occupational Health and Safety</li> <li>• Export loans</li> <li>• Innovation</li> </ul>
		The Turkish private sector export ratio average was 19,4% in 2019. This means that 19.4% of the goods and services produced in the country are exported. As a development bank, TSKB considers exports as an important indicator for sustainable development of the economy and considers loans provided to companies with export ratios than 19% (calculated as ratio of foreign sales to total net sales) amongst sustainable-themed loans.
Human	Gender ratio of management	This indicator only means the gender distribution of total Management level employees (Chief Executive Officer, Executive Vice President, Department Head, Senior Manager, Junior Manager) of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Gender ratio of Board of Directors	This indicator only means the gender distribution of Board of Directors of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Traning hours	This indicator only means the total number of training hours provided to its Banking Operations employees (Employees in Head-Office Buildings and the Branches excluding the administrative staff) divided by the average number of FTE employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
Human	Participation rate for employee satisfaction survey	This indicator only means the ratio of the total number of employees who responded to the survey divided by the total number of survey participants during the reporting period.

	<b>Internal Impacts</b> (excluding affiliates)	This indicator only means the environmental impacts of the Bank’s activities from its head-office buildings during the reporting period.
	Electricity consumption (kWh)	This indicator means the total electricity consumption includes electricity used for heating and other business operations that require electricity during the reporting period
	Natural gas consumption (m <sup>3</sup> )	This indicator means the total natural gas (NG) consumption includes NG used for heating, cooking and other business operations that require natural gas during the reporting period.
	Water consumption (m <sup>3</sup> )	This indicator means the total municipal water consumption during the reporting period.
Natural	Paper consumption (kg)	This indicator means the total paper and cardboard consumption during the reporting period.
	Electricity intensity (kWh/m <sup>2</sup> )	This indicator means the total electricity usage (in kWh) divided by the floor area (in m2) occupied by the Bank during the reporting period.
	Water intensity (m <sup>3</sup> /staff)	This indicator means the total water consumption (in m3) divided by the average number of Bank employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
	Recycled waste amount (kg)	This indicator means the weight of recycled waste of glass, plastic and paper during the reporting period.
Natural	Total installed capacity funded from renewable energy portfolio	This indicator means the total installed renewable energy capacity, in MW, partially or totally financed by the Bank as at the reporting period end.
Natural	Share of this installed capacity in Turkey’s renewable energy capacity	This indicator means the total renewable energy capacity, in MW, financed by the Bank compared against Turkey’s total installed renewable energy capacity as at the reporting period end.
Natural	Contribution to CO <sub>2</sub> emission reduction	This indicator means the estimated total CO <sub>2</sub> emissions reduction from the renewable energy projects financed by the Bank as at the reporting period end.

## 4. Data Preparation

### Electricity, Natural Gas and Water Consumption

Within the scope of the calculations, only the Bank’s own buildings are included, and consumption related to subsidiaries or group companies are not included. While calculating these values, to decontaminate the calculation, the average number of employees, based on the number of employees at the end of June and December, and the average m2 information are used.

Natural gas and water consumption data are obtained from supplier meters, service provider invoices and daily measurement counters of the Bank. Since these consumptions are reported on the type of supply unit, no conversion factor is used.

Electricity and water intensity data are obtained from the ratio of annual consumption to the number of employees obtained by averaging the Bank’s employee figures at the end of June and December.

### Total installed capacity funded from renewable energy portfolio

This indicator is calculated by assessing the renewable energy portfolio of the Bank. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank’s financing ratio for the project was not taken into consideration.

### Share of this installed capacity in Turkey’s renewable energy capacity

This indicator is calculated by assessing the renewable energy portfolio of the Bank and the total capacity of renewable energy projects in Turkey. The related information on Turkey was achieved through the year end (December 2019) installed capacity report of Turkish Electricity Transmission corporation (TEİAŞ). In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank’s financing ratio for the project was not taken into consideration.

### Contribution of renewable energy portfolio to CO<sub>2</sub> emission reduction

CO<sub>2</sub> emission reduction is calculating by using the emission coefficient calculated by the Bank’s own methodology. Bank’a’nın kendi metodolojisi ile hesaplanan emisyon katsayısı yardımıyla hesaplamaktadır. The assumptions for calculating the reduction for each renewable energy efficiency ratio were based on using the Turkey sector average of the last three years of the different renewable energy sources. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank’s financing ratio for the project was not taken into consideration.

## 5. Restatements

The measuring and reporting of sustainability-related data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.

**ISO 14001 CERTIFICATE**




By Royal Charter

# Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that: **Türkiye Sınai Kalkınma Bankası A.Ş.**  
 Mecidiyeköy Cad. 81 Fındıklı  
 İstanbul  
 34427  
 Turkey

Holds Certificate No: **EMS 590918**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

**Investment and Development Banking Services.**

For and on behalf of BSI:   
 Andrew Lamm, EMEA Systems Certification Director

Original Registration Date: 2013-01-21      Effective Date: 2018-04-27  
 Latest Revision Date: 2018-04-27      Expiry Date: 2021-04-26

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...making excellence a habit™

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract. An electronic certificate can be authenticated [online](https://www.bsi.com/online). Printed copies can be validated at [www.bsi.com/online](https://www.bsi.com/online) or telephone +44 (0) 300 900123.

Information and Contact: BSI, 100 Brook Court, Davy Avenue, Weybridge, Middlesex TW20 2EX, UK. Tel: +44 (0) 1843 890000  
 BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.

**ISO 14064 CERTIFICATE**




## Carbon Footprint Verification

Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:

**TSBK Türkiye Sınai Kalkınma Bankası A.Ş.**  
 Mecidiyeköy Cad. 81 Fındıklı 34427 İstanbul

Holds Statement No: **GHGCV 588323**

EMISSIONS DETAILS	
Reporting Period:	01/01/2018 to 31/12/2018
Date of Emissions Report:	05.02.2019
Scope 1 Emissions in tCO <sub>2</sub> e	0
Scope 2 Emissions in tCO <sub>2</sub> e	0
Scope 3 Emissions in tCO <sub>2</sub> e	0
Total Reported Emissions in tCO <sub>2</sub> e	0

FACILITY VERIFICATION DETAILS	
Properties of facilities inspected during the verification:	0/0

**OPINION:** *verified*      The EMEA Systems Certification Services has conducted a verification of the greenhouse gas data reported by TSBK Türkiye Sınai Kalkınma Bankası A.Ş. in its Emissions Report dated 05<sup>th</sup> February 2019 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fully correct.

**OPINION:** *verified with comments*      As a result of verification procedures, it is the opinion of BSI with reasonable assurance that the greenhouse gas emissions for the period from 01/01/2018 to 31/12/2018 are 0tCO<sub>2</sub>e. No material nonconformities in the submitted Greenhouse Gas Emissions Information for TSBK Türkiye Sınai Kalkınma Bankası A.Ş. were identified. Data quality was considered acceptable in meeting the principles as set out in BS ISO 14064-1:2018.

Lead Verifier:	Michael Davis
Technical Supervisor:	Pauline Southgate
Signed on behalf of BSI Group Events:	Tracey John
Verification Services No.:	24.01.2019
Date of Report:	24.01.2019






## Carbon Footprint Verification

Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:

**TSBK Türkiye Sınai Kalkınma Bankası A.Ş.**  
 Mecidiyeköy Cad. 81 Fındıklı 34427 İstanbul

Holds Statement No: **GHGCV 588323**

EMISSIONS DETAILS	
Reporting Period:	01/01/2018 to 31/12/2018
Date of Emissions Report:	05.02.2019
Scope 1 Emissions in tCO <sub>2</sub> e	0
Scope 2 Emissions in tCO <sub>2</sub> e	0
Scope 3 Emissions in tCO <sub>2</sub> e	0
Total Reported Emissions in tCO <sub>2</sub> e	0

FACILITY VERIFICATION DETAILS	
Properties of facilities inspected during the verification:	0/0

**OPINION:** *verified*      The EMEA Systems Certification Services has conducted a verification of the greenhouse gas data reported by TSBK Türkiye Sınai Kalkınma Bankası A.Ş. in its Emissions Report dated 05<sup>th</sup> February 2019 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fully correct.

**OPINION:** *verified with comments*      As a result of verification procedures, it is the opinion of BSI with limited assurance that the greenhouse gas emissions for the period from 01/01/2018 to 31/12/2018 are 0tCO<sub>2</sub>e. No material nonconformities in the submitted Greenhouse Gas Emissions Information for TSBK Türkiye Sınai Kalkınma Bankası A.Ş. were identified. Data quality was considered acceptable in meeting the principles as set out in BS ISO 14064-1:2018.

Lead Verifier:	Michael Davis
Technical Supervisor:	Pauline Southgate
Signed on behalf of BSI Group Events:	Tracey John
Verification Services No.:	24.01.2019
Date of Report:	24.01.2019




## FINANCIAL STATEMENTS AND NOTES

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## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES  
FOR THE YEAR ENDED DECEMBER 31, 2019

(Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

## INDEPENDENT AUDITOR'S REPORT

### To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

#### Audit of Unconsolidated Financial Statements

##### Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as at 31 December 2019 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "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 Agency and circulars and interpretations published by BRSA and Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

##### Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2019 include a free provision at an amount of TL 220.000 thousands, was provided in prior years respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2019 is understated by TL 220.000 thousands.

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 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. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter is addressed in our audit
<p><b>Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9</b></p>	
<p>As presented in Section 3 disclosure VIII the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Bank determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Bank management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul>	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.</li> <li>- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank's Business model.</li> <li>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements</li> <li>- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis.</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> <li>- Auditing of TFRS 9 disclosures.</li> </ul>

Pension Fund Obligations	
<p>Employees of the Bank are members of "TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVI the "Explanations on Liabilities regarding employee benefits" to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial expert who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

<b>Derivative Financial Instruments</b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

**Responsibilities of Management and Directors for the Unconsolidated Financial Statements**

Bank 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 the financial statement that is 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**

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

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

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

- Identify and assess the risks of material misstatement of the 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 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 government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

**Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January - 31 December 2019 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM  
Partner

3 February 2020  
İstanbul, Türkiye

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.  
FOR THE YEAR ENDED 31 DECEMBER 2019

Address: Meclis-i Mebusan Cad. No: 81 Fındıklı/İstanbul  
Telephone: (212) 334 51 94  
Fax: (212) 334 52 34  
Website: [www.tskb.com.tr](http://www.tskb.com.tr)  
E-mail: [ir@tskb.com.tr](mailto:ir@tskb.com.tr)

The unconsolidated financial report for the year includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared **in thousands of Turkish Lira ("TL")**, 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, and have been independently audited and presented as attached.

3 February 2020

**H. Ersin ÖZİNCE**

Chairman of Board of  
Directors

**Suat İNCE**

Member of Board of Directors  
and General Manager

**Ece BÖRÜ**

Executive Vice President in  
Charge of Financial Reporting

**Tolga SERT**

Head of  
Financial Control Department

**Gamze YALÇIN**

Member of Audit  
Committee

**Mehmet ŞENCAN**

Member of Audit  
Committee

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname/Title:** Ayşe Nazlıca/Head of Financial Corporation and Investor Relations  
**Telephone Number:** (212) 334 51 94

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<b>SECTION ONE</b>	
General Information	
I. The Bank's incorporation date, beginning status, changes in the existing status	152
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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE**

**GENERAL INFORMATION**

**I. The Bank's incorporation date, beginning status, changes in the existing status**

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Bank is "Development and Investment Bank". The Bank does not have the license of "Accepting Deposit". Since the establishment date of the Bank, there is no change in its "Development and Investment Bank" status.

**II. Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank**

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Bank are as follows:

<b>Current Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>
<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,92% of the shares belongs to İş Bank Group and 38,62% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank**

**The Chairman and The Members of Board of Directors:**

<b>Name Surname</b>	<b>Title <sup>(1)</sup></b>
H. Ersin Özince	Chairman of the Board of Directors
Mehmet Şencan	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
Suat İnce	Member of the Board of Directors and General Manager
Yavuz Canevi	Member of the Board of Directors
Mithat Rende	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ahmet Hakan Ünal	Member of the Board of Directors
Abdi Serdar Üstünsalih <sup>(3)</sup>	Member of the Board of Directors
Gamze Yalçın <sup>(2)</sup>	Member of the Board of Directors and Member of Audit Committee
Hüseyin Yalçın	Member of the Board of Directors
Can Yücel	Member of the Board of Directors

**General Manager and Vice Presidents**

<b>Name Surname</b>	<b>Title/Area of Responsibility <sup>(4)</sup></b>
Suat İnce	General Manager
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations
Hasan Hepkaya	Executive Vice President - Corporate Banking Marketing, Corporate Banking Selling, Project Finance, Corporate Communication
Ece Börü	Executive Vice President - Loan Allocation, Loan Monitoring, Loan Analysis, Financial Control, Budget Planning
Hakan Aygen	Executive Vice President - Corporate Finance, Economic Research, Engineering and Technical Consultancy, Financial Consultancy, Business Development and Consultancy Management Office Departments
H. Yetkin Kesler	Executive Vice President - Pension and Assistance Funds, Human Resources, Enterprise Architecture and Process Management, Corporate Compliance
B. Gökhan Çanakpınar	Executive Vice President - Support Services, System & Network Support, Application Development
A.Ferit Eraslan	Executive Vice President - Head of Board of Internal Auditors, Internal Control, Risk Management

<sup>(1)</sup> The shares of above directors in the Bank are symbolic.

<sup>(2)</sup> The Member of the Board of Directors Mrs. Ebru Özsuca resigned from her duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 8 April 2019, it is decided that Mrs. Gamze Yalçın was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(3)</sup> The Member of the Board of Directors Mr. Mehmet Emin Özcan resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 June 2019, it is decided that Mr. Abdi Serdar Üstünsalih was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(4)</sup> Prepared according to the organization chart of the Bank dated 12 December 2019.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2019 in the General Assembly Meeting held on 28 March 2019.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**IV. Information about the persons and institutions that have qualified shares in the Bank**

Explanation about the people and institutions that have qualified shares control the Bank's capital directly or indirectly are described in General Information Section II.

**V. Summary on the Bank's functions and areas of activity**

The Bank is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Bank also continues to offer solutions with respect to the newest needs and client demands.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş., Terme Metal Sanayi ve Ticaret A.Ş. and Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. are not consolidated since they are not in scope of financial institutions according to related Communiqué.

The Bank and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. and Yatırım Varlık Kiralama A.Ş. which founded on 20 September 2019 as a subsidiary of Yatırım Finansman Menkul Değerler A.Ş. are included in the accompanying consolidated financial statements line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

**Yatırım Finansman Menkul Değerler A.Ş. :**

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

**TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 88,67%. The company's headquarters is located at Istanbul/Turkey.

**İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The company's headquarters is located at Istanbul/Turkey.

**İş Faktoring A.Ş. :**

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

**İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The company's headquarters is located at Istanbul/Turkey.

**VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

**Written policies of the Bank related to compliance to publicly disclosed obligations of the Bank and assessment of accuracy, frequency and compliance of mentioned disclosures**

The Bank's Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the Bank's corporate website.







**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AT 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

STATEMENT OF PROFIT OR LOSS		Section 5 Note IV	Audited Current Period	Audited Prior Period
			1 January 2019 - 31 December 2019	1 January 2018 - 31 December 2018 <sup>(1)</sup>
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>3.254.968</b>	<b>3.034.857</b>
1.1	Interest on Loans		2.212.758	2.104.578
1.2	Interest Received from Reserve Deposits		7.101	10.258
1.3	Interest Received from Banks		54.384	35.785
1.4	Interest Received from Money Market Placements		290.421	107.120
1.5	Interest Received from Marketable Securities Portfolio		669.120	760.996
1.5.1	Fair Value through Profit or Loss		3	20
1.5.2	Fair Value through other Comprehensive Income		442.319	358.776
1.5.3	Measured at Amortized Cost		226.798	402.200
1.6	Finance Lease Interest Income		6.406	6.060
1.7	Other Interest Income		14.778	10.060
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	(2)	<b>1.323.131</b>	<b>1.281.465</b>
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		638.406	561.487
2.3	Interest on Money Market Borrowings		111.504	227.216
2.4	Interest on Securities Issued		556.212	491.351
2.5	Leasing Interest Expense		9.402	-
2.6	Other Interest Expense		7.607	1.411
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1.931.837</b>	<b>1.753.392</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>29.758</b>	<b>19.001</b>
4.1	Fees and Commissions Received		36.241	25.749
4.1.1	Non-cash Loans		25.157	21.798
4.1.2	Other		11.084	3.951
4.2	Fees and Commissions Paid (-)		6.483	6.748
4.2.1	Non-cash Loans		968	967
4.2.2	Other		5.515	5.781
<b>V.</b>	<b>DIVIDEND INCOME</b>	(3)	<b>7.123</b>	<b>4.011</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	(4)	<b>(445.660)</b>	<b>(267.231)</b>
6.1	Securities Trading Gains/Losses		1.320	2.013
6.2	Derivative Financial Instruments Gains/Losses		(553.297)	(477.108)
6.3	Foreign Exchange Gains/Losses (Net)		106.317	207.864
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5)	<b>31.612</b>	<b>94.158</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.554.670</b>	<b>1.603.331</b>
<b>IX.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	(6)	<b>458.882</b>	<b>501.193</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	(6)	<b>-</b>	<b>30.000</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>126.726</b>	<b>106.436</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(7)	<b>74.835</b>	<b>56.439</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>894.227</b>	<b>909.263</b>
<b>XIV.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>894.227</b>	<b>909.263</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>192.582</b>	<b>248.337</b>
18.1	Provision for Current Income Taxes		280.993	146.335
18.2	Deferred Tax Income Effect (+)		193.387	249.477
18.3	Deferred Tax Expense Effect (-)		281.798	147.475
<b>XIX.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	(9)	<b>701.645</b>	<b>660.926</b>
<b>XX.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
20.1	Income on Assets Held for Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Income on Other Discontinued Operations		-	-
<b>XXI.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1	Loss from Assets Held for Sale		-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3	Loss from Other Discontinued Operations		-	-
<b>XXII.</b>	<b>PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
<b>XXIV.</b>	<b>NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/(LOSS) (XIX+XXIV)</b>	(10)	<b>701.645</b>	<b>660.926</b>
Earning/(loss) per share			0,251	0,236

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Reviewed	Reviewed
	Current Period 1 January 2019 - 31 December 2019	Prior Period 1 January 2018 - 31 December 2018
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>701.645</b>	<b>660.926</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>246.247</b>	<b>597.207</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>51.169</b>	<b>712.005</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	9.367
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(940)	(670)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	51.902	704.280
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	207	(972)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>195.078</b>	<b>(114.798)</b>
2.2.1 Foreign Currency Translation Differences	5.010	7.857
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	243.693	(157.048)
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(53.625)	34.393
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>947.892</b>	<b>1.258.133</b>

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
						1	2	3	4	5	6							
<b>I. Prior Period - 31 December 2018</b>																		
<b>II. Prior Period End Balance</b>		<b>2.400.000</b>	-	-	<b>374</b>	<b>32.571</b>	<b>173</b>	<b>104.961</b>	<b>7.847</b>	<b>(39.405)</b>	-	<b>432.528</b>	<b>595.668</b>	-	<b>3.534.717</b>	-	<b>3.534.717</b>	
<b>III. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	<b>35.659</b>	-	<b>35.659</b>	-	<b>35.659</b>	
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35.659	-	35.659	-	35.659	
<b>IV. Adjusted Beginning Balance (I+II)</b>		<b>2.400.000</b>	-	-	<b>374</b>	<b>32.571</b>	<b>173</b>	<b>104.961</b>	<b>7.847</b>	<b>(39.405)</b>	-	<b>432.528</b>	<b>631.327</b>	-	<b>3.570.376</b>	-	<b>3.570.376</b>	
<b>V. Total Comprehensive Income</b>		-	-	-	-	<b>8.337</b>	<b>(522)</b>	<b>704.190</b>	<b>7.857</b>	<b>(122.655)</b>	-	-	-	<b>660.926</b>	<b>1.258.133</b>	-	<b>1.258.133</b>	
<b>VI. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Capital Increase by Internal Sources</b>		<b>400.000</b>	-	-	-	-	-	-	-	-	-	-	<b>(400.000)</b>	-	-	-	-	
<b>VIII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>86.163</b>	<b>(195.668)</b>	-	<b>(109.505)</b>	-	<b>(109.505)</b>	
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.163	(85.803)	-	360	-	360	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>809.151</b>	<b>15.704</b>	<b>(162.060)</b>	-	<b>518.691</b>	<b>35.659</b>	<b>660.926</b>	<b>4.719.004</b>	-	<b>4.719.004</b>	

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Translation Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss						Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
						1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)				
<b>I. Current Period - 31 December 2019</b>																		
<b>II. Prior Period End Balance</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>809.151</b>	<b>15.704</b>	<b>(162.060)</b>	-	<b>518.691</b>	<b>696.585</b>	-	-	-	-	<b>4.719.004</b>
<b>III. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Adjusted Beginning Balance (I+II)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>809.151</b>	<b>15.704</b>	<b>(162.060)</b>	-	<b>518.691</b>	<b>696.585</b>	-	-	-	-	<b>4.719.004</b>
<b>V. Total Comprehensive Income</b>		-	-	-	-	-	<b>(733)</b>	<b>51.902</b>	<b>5.010</b>	<b>190.068</b>	-	-	-	<b>701.645</b>	<b>947.892</b>	-	-	<b>947.892</b>
<b>VI. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>696.585</b>	<b>(696.585)</b>	-	-	-	-	-
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(1.082)</b>	<b>861.053</b>	<b>20.714</b>	<b>28.008</b>	-	<b>1.215.276</b>	-	<b>701.645</b>	<b>5.666.896</b>	-	-	<b>5.666.896</b>

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Translition Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>1.120.354</b>	<b>1.763.319</b>
1.1.1 Interest Received	2.912.455	2.463.185
1.1.2 Interest Paid	(1.161.310)	(1.243.147)
1.1.3 Dividends Received	7.123	4.011
1.1.4 Fees and Commissions Received	36.241	25.749
1.1.5 Other Income	4.708	6.135
1.1.6 Collections from Previously Written off Loans	84.517	9.014
1.1.7 Payments to Personnel and Service Suppliers	(124.566)	(107.255)
1.1.8 Taxes Paid	(294.562)	(107.872)
1.1.9 Others	(344.252)	713.499
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>810.466</b>	<b>(1.357.969)</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	-	-
1.2.3 Net (Increase) (Decrease) in Loans	398.939	1.227.382
1.2.4 Net (Increase) (Decrease) in Other Assets	138.668	(387.971)
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	(358.481)	(1.545.419)
1.2.9 Net (Increase) (Decrease) in Matured Payable	-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities	631.340	(651.961)
<b>I. Net Cash Provided by/(used in) Banking Operations</b>	<b>1.930.820</b>	<b>405.350</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided by/(used in) Investing Activities</b>	<b>(516.643)</b>	<b>(477.255)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries	(400)	(152.380)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries	-	-
2.3 Purchases of Property and Equipment	(6.366)	(4.181)
2.4 Disposals of Property and Equipment	3.277	94
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income	(1.048.151)	(680.955)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income	775.098	590.195
2.7 Purchase of Financial Assets Measured at Amortized Cost	(433.812)	(227.528)
2.8 Sale of Financial Assets Measured at Amortized Cost	195.251	-
2.9 Others	(1.540)	(2.500)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided by/(used in) Financing Activities</b>	<b>(2.019.964)</b>	<b>1.208.725</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued	-	1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(2.004.016)	-
3.3 Capital Increase	-	-
3.4 Dividends Paid	-	(109.865)
3.5 Payments for Leases	(15.948)	-
3.6 Other	-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>3.262</b>	<b>45.114</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(602.525)</b>	<b>1.181.934</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>1.202.110</b>	<b>20.176</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>599.585</b>	<b>1.202.110</b>

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018 <sup>(1)</sup>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	894.227	909.263
1.2 TAXES AND DUTIES PAYABLE	192.582	248.337
1.2.1 Corporate Tax (Income tax)	280.993	146.335
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties <sup>(3)</sup>	(88.411)	102.002
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>701.645</b>	<b>660.926</b>
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	33.046
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>701.645</b>	<b>627.880</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	627.880
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE <sup>(2)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,25	0,24
3.2 TO OWNERS OF ORDINARY SHARES (%)	25,06	23,60
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2019 yet, only profit available for distribution for the year 2019 is presented.

<sup>(2)</sup> A nominal value of 1 Kurus figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kurus.

<sup>(3)</sup> The current amount is deferred tax expense and the prior period amount is deferred tax income.

The accompanying notes are an integral part of these unconsolidated financial statement

### SECTION THREE

#### ACCOUNTING POLICIES

##### I. Basis of presentation

###### I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The Bank prepared its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations and the amendments dated 1 February 2019 to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to announced to public dated 28 June 2012 and with No. 28337 "Communique" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements".

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2019 period are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

The format and content of the accompanying unconsolidated financial statements and footnotes have been prepared in accordance with the "Communique" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communique on Disclosures About Risk Management to be Announced to Public by Banks."

The accompanying unconsolidated financial statements and the explanatory footnotes, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL").

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

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34 "Interim Financial reporting" except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### I.b Changes in accounting policies and disclosures

###### I.b.1 Major new and amended standards and interpretations

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. The mentioned standard has a transition effect amounting to TL 40.824 in "tangible assets" and "lease liability" in the Bank's financial statements. As of 31 December 2019 The Bank recognized right of use asset classified under tangible assets amounting to TL 30.571, lease liability amounting to TL 34.278, amortization expenses amounting to TL 10.253 and lease interest expenses amounting to TL 9.402. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Parent Bank.

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### I. Basis of presentation (continued)

###### I.b.2 TFRS 16 Leases

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease.

Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply "TFRS 16 Leases" Standard starting from 1 January 2019. The Bank has applied TFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application TFRS 16 are stated below.

###### **Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of lease liabilities recognized,
- lease payments made at or before the commencement date less any lease incentives received and
- initial direct costs incurred.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

###### **Lease Liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include

- fixed payments (including in-substance fixed payments) less any lease incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be paid under residual value guarantees.
- the exercise price of a purchase option reasonably certain to be exercised by the Company/the Group and payments of penalties for terminating a lease,
- if the lease term reflects the Company/the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company/the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the effective date of the lease, the Bank measures the lease obligation as follows:

- The book value is increased to reflect the accretion of interest of lease liabilities
- The book value is reduced to reflect the lease payments made

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**I. Basis of presentation (continued)**

**I.b Changes in accounting policies and disclosures (continued)**

**I.b.2 TFRS 16 Leases (continued)**

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**I.c The valuation principles used in the preparation of the financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSB. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

**I.d The accounting policies for the correct understanding of the financial statements**

The following accounting policies that applied according to BRSB regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

**II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Bank have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Bank performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. TFRS 9 provides the option of deferring the adoption of TFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Bank continues to apply the provisions of TAS 39 hedge accounting.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)**

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued. The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities:

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources. The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

**III. Explanations on forward and option contracts and derivative instruments**

The Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Bank are foreign currency forwards, swaps and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income".

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Explanations on forward and option contracts and derivative instruments (continued)**

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

When a derivative financial instrument, is originally designed as a hedge by the Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The Bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

**IV. Explanations on associates and subsidiaries**

Financial subsidiaries and Investments in associates are taken into the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard within the framework TFRS 9 "Financial Instruments: Turkish Financial Reporting Standards". Non financial subsidiaries and associates are presented in the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard with their cost values after the deduction of, if any, impairment losses.

**V. Explanations on interest income and expenses**

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount.

Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**V. Explanations on interest income and expenses (continued)**

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

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

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

**VII. Explanations on financial assets**

**Initial recognition of financial instruments**

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The bank tested all financial assets within the scope of TFRS 9 "whether the contractual cash flows arise solely from interest and capitals" and assessed the asset classification within the business model.

**Assessment of business model**

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models are divided into three categories.



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

**Business model whose aimed to hold assets in order to collect contractual cash flows:**

This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Receivables from Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

**Business model aimed to collect contractual cash flows and sell financial assets:**

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at fair value through other comprehensive income are assessed in this business model.

**Other business models:**

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss and derivative financial assets are assessed in this business model.

**Measurement categories of financial assets and liabilities**

Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

**a. Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

**a. Financial assets at the fair value through profit or loss (continued)**

Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as "interest income" in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under "trading account income/losses" in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under "trading account income/losses".

Syndicated loans extended to Ojer Telekomünikasyon A.Ş. (OTAŞ) in the previous periods were restructured. Within this scope, in order to form the collateral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Turk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yonetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on September 23, 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 31 December 2019, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 34.196 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss".

Total assets amounting to TL 327.499 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports). The maturity of the loan is 1 year and the maturity can be extended.

The main objective of the lending banks is to transfer Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. 55% of LYY Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on 19 September 2019 for the sale of its shares. In this context, necessary studies related to sales and negotiations with potential investors will be initiated.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

**b. 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 measured 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 income statement.

“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 income statement 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 Loss Reclassified Through Profit or Loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**c. 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 income statement. In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds. The Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor’s Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI’s. The Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

**d. Loans**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate (internal rate of return) Method”. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira (“TL”) cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency (“FC”) cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of “ All cash flows from contracts are made only by interest and principal” during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

**VIII. Explanations on impairment of financial assets**

Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. TFRS 9 impairment requirements are not eligible for equity instruments.

At each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition is assessed. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

**Calculation of expected credit losses**

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process (“ICAAP”) are considered.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment of financial assets (continued)**

**Calculation of expected credit losses (continued)**

Within the scope of TFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under TFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate/specilization)
- Product type
- Credit risk rating notes (ratings)
- Collateral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

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

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

Financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment of financial assets (continued)**

**Calculation of expected credit losses (continued)**

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

**Debt instruments measured at fair value through other comprehensive income**

As of 1 January 2018, the impairment requirements are applies for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with IFRS 9. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

**Significant increase in credit risk**

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in bank credit risk, The Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on offsetting, derecognition and restructuring of financial instruments**

**a. Offsetting of financial instruments**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

**b. Derecognition of financial instruments**

**Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

**Derecognition of financial assets without any change in contractual terms**

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

**Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)**

**c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

The Bank's reclassification details of financial assets are presented in Section 3, Note VII.

**d. Restructuring and refinancing of financial instruments**

The Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Restructured Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/ refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/ refinancing.

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met:

Recovery in debt service.

- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Bank are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

**XI. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups), and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling.

Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entry remains committed to its plan to sell the asset (or disposal group). As of 31 December 2019, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I-16.

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. As of reporting date, The Bank has no goodwill on the consolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

**XIII. Explanations on tangible assets**

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value. Normal maintenance and repair expenditures are recognized as expense.

As of the third quarter of 2015, the Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts. The positive difference between appraisal value and net book value of the property is accounted under shareholder' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on tangible assets (continued)**

Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

**XIV. Explanations on leasing transactions**

**The Bank as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

**The Bank as Lessee**

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Bank's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

In accordance with TFRS 16, the lessee, at the effective date of the lease, measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use related to the same date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The interest expense on the lease liability and the depreciation expense right of use are recorded separately.

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

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Bank discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

**Explanations on contingent assets**

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred. Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Bank calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19. Employees of the Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVI. Explanations on liabilities regarding employee benefits (continued)**

In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020. There is no need for technical or actual deficit to book provision as of 31 December 2019. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

**XVII. Explanations on taxation**

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 2018: 22%). In accordance with the Temporary Article 10 added to the Corporate Tax Law, Corporate Tax applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The Bank started calculating deferred tax for the expected credit losses for Stage 1 and Stage 2.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**Transfer pricing**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing Through Camouflage of Earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing". According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XVIII. Additional explanations on borrowings**

The Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed.

The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value.

**XIX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. The increase in paid-in capital was approved by the BRSA on 26 April 2018 and disclosed in the dated 7 June 2018 and numbered 9605 Turkish Trade Registry Gazette.

**XX. Explanations on acceptances**

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

**XXI. Explanations on government incentives**

The Bank does not use government incentives.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXII. Explanations on segment reporting**

In accordance with its mission, the Bank mainly operates in corporate and investment banking segments. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided. The segmental allocation of the Bank's net profit, total assets and total liabilities are shown below.

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	658.794	1.273.043	-	1.931.837
Net Fees and Commission Income	26.162	3.596	-	29.758
Other Income	13.780	-	24.955	38.735
Other Expense	(475.376)	(471.177)	(159.550)	(1.106.103)
Profit Before Tax	223.360	805.462	(134.595)	894.227
Tax Provision				(192.582)
<b>Net Profit</b>				<b>701.645</b>
<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	30.810.345	8.953.223	870.010	40.633.578
Investment in Associates and Subsidiaries	-	-	1.366.520	1.366.520
<b>Total Assets</b>	<b>30.810.345</b>	<b>8.953.223</b>	<b>2.236.530</b>	<b>42.000.098</b>
Segment Liabilities	34.200.426	1.031.556	1.101.220	36.333.202
Shareholders' Equity	-	-	5.666.896	5.666.896
<b>Total Liabilities</b>	<b>34.200.426</b>	<b>1.031.556</b>	<b>6.768.116</b>	<b>42.000.098</b>
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	795.430	957.962	-	1.753.392
Net Fees and Commission Income	20.698	(1.697)	-	19.001
Other Income	-	-	98.169	98.169
Other Expense	(512.293)	(289.978)	(159.028)	(961.299)
Profit Before Tax	303.835	666.287	(60.859)	909.263
Tax Provision				(248.337)
<b>Net Profit</b>				<b>660.926</b>
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	27.716.305	8.397.472	861.868	36.975.645
Investment in Associates and Subsidiaries	-	-	1.322.466	1.322.466
<b>Total Assets</b>	<b>27.716.305</b>	<b>8.397.472</b>	<b>2.184.334</b>	<b>38.298.111</b>
Segment Liabilities	31.320.591	933.391	1.325.125	33.579.107
Shareholders' Equity	-	-	4.719.004	4.719.004
<b>Total Liabilities</b>	<b>31.320.591</b>	<b>933.391</b>	<b>6.044.129</b>	<b>38.298.111</b>

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on other matters**

**1. Changes Related to Previous Period Financial Statements**

**Effects of the change of TAS 27**

According to Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements" an option was recognized to account to cost of assets investments of subsidiaries, joint ventures and associates while applying TFRS 9 "Financial Instruments" standard or Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method.

As of 1 January 2018, the Bank has started to account its financial subsidiaries and associates using the equity method defined in TAS 28, Investments in Associates and Joint Ventures, and prepared the financial statements as of 31 March 2018 and 30 June 2018 in accordance with this standard.

Considering the temporary negative effects of the fluctuations in foreign exchange markets on the net operating profit of the subsidiaries and associates, as of 31 August 2018 the equity method application has been withdrawn and it has been decided to be valued at fair value in accordance with TFRS 9 standards. The carrying amount of the financial subsidiaries and associates is measured at fair value in accordance with TFRS 9, and the valuation difference is recognized in "Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss" in the financial statements of the Bank. Therefore, restatement in the financial statements as of 31 March 2018 and 30 June 2018 has been withdrawn.



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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Explanations related to shareholders' equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019, the capital adequacy ratio of Bank has been calculated as 17,79% (31 December 2018:16,20%).

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	1.215.276	518.691
Other comprehensive income according to TAS	1.018.786	942.117
Profit	701.645	696.585
Current Period Profit	701.645	660.926
Prior Period Profit	-	35.659
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	13.258
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>5.736.081</b>	<b>4.971.025</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	69.185	252.021
Leasehold improvements on operational leases	2.202	3.625
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.029	3.125
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	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	367.333	556.914
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
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	-	-

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>441.749</b>	<b>815.685</b>
<b>Core Equity Tier I Capital</b>	<b>5.294.332</b>	<b>4.155.340</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the 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 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core 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 Core 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=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>5.294.332</b>	<b>4.155.340</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	1.774.800	1.540.500
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	498.713	359.752
<b>Tier II Capital Before Deductions</b>	<b>2.273.513</b>	<b>1.900.252</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
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 Common Equity Tier I capital (-)	-	-

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>2.273.513</b>	<b>1.900.252</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>7.567.845</b>	<b>6.055.592</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking 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>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial 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 I capital, Additional Tier I capital, Tier II 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 I capital and Tier II capital of banking, and financial 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 I capital, Additional Tier I capital, Tier II 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 and financial 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 Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	7.567.845	6.055.592
Total Risk Weighted Assets	42.536.184	37.368.844
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	12,45	11,12
Tier I Capital Adequacy Ratio (%)	12,45	11,12
Capital Adequacy Ratio (%)	17,79	16,20
<b>BUFFERS</b>		
Total buffer requirement (%)	2,510	1,883
Capital conservation buffer requirement (%)	2,500	1,875

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholder's equity (continued)**

Bank specific counter-cyclical buffer requirement (%)	0,010	0,008
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,45	5,12
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	566.166	471.226
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	552.284	359.752
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	498.713	359.752
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	-	-

**Explanations on the reconciliation between amounts related to equity items and on balance sheet**

There are no differences between the amounts related to equity items and on balance sheet figures.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

**Details on Subordinated Liabilities**

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominiqué on Subordinated Liabilities of CMB numbered CMB-II-31.1
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date - Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Debt Instruments
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5th year)
Subsequent call dates, if applicable	After 5th year only for once
<b>Interest and Dividend Payments</b>	
Fixed or floating dividend/coupon	Fixed/semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

**Details on Subordinated Liabilities (continued)**

<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seen in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

**II. Explanations related to credit risk**

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types**

	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>
Exposures to sovereigns and their central banks	7.537.945	6.964.910	6.236.634	6.025.766
Exposures to regional and local governments	-	-	-	-
Exposures to administrative bodies and noncommercial entities	5.639	30.878	11.621	3.522
Exposures to multilateral development banks	-	-	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	2.602.654	3.857.108	3.143.715	2.663.194
Exposures to corporates	54.929.636	52.129.922	47.303.719	42.068.121
Retail exposures	-	-	-	-
Exposures secured by property	1.654.869	1.516.447	1.395.232	1.240.266
Past due receivables	749.429	555.963	427.721	237.052
Exposures in higher-risk categories	626.348	357.746	106.668	52.661
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-
Equity investments	1.158.049	908.227	828.289	625.234
Other exposures	262.508	597.587	331.766	803.161

<sup>(1)</sup> Includes total risk amounts before the effect of credit risk mitigation.

<sup>(2)</sup> Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

There are control limits on positions held in the form of futures and options contracts and other similar contracts. Limits are continuously checked by the bank management. Credit risk is managed together with the potential risks arising from market movements. Credit risk, market risk, liquidity risk and other risks are considered as a whole. When exposed to significant credit risk, the Bank is on the verge of reducing total risk by concluding futures and similar contracts, exercising their rights, fulfilling or selling their performances in a short period of time. Indemnified non-cash loans are subject to the same risk weight as the unpaid credits when they occur.

Except for the monitoring method determined by the related legislation of the renewed and re-amortized loans, the current rating of the relevant company is changed within the Bank within the scope of internal rating application and all kinds of measures are taken for risk classification. The Bank follows concentration on a maturity basis and examines the risks that differ from the normal course. Foreign transactions are made with many correspondent banks in many countries. The counterparty limits have been set in transactions with banks. As an active participant in the international banking market, the Bank does not have significant credit risk concentration when evaluated together with the financial activities of other financial institutions.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

The first 100 and 200 largest cash loans constitute 73,38% and 92,54% of the total cash loans portfolio of the Bank respectively (31 December 2018: 71,24% and 89,45%).

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Bank respectively (31 December 2018: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 72,73% and 91,86% of the total on and off balance sheet accounts of the Bank respectively (31 December 2018: 70,60% and 89,19%).

The Bank calculated the expected credit loss provision amounting to TL 555.774 in accordance with TFRS 9 impairment model. (31 December 2018: TL 362.362.)

Credit risk is evaluated according to the Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to the Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings.

Information of credit amounts rated by internal rating model is given table below.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	9.281.586	8.454.861
Average Grade	20.299.648	19.215.700
Below Average Grade	5.408.531	3.133.218
Impaired	1.105.055	595.338
<b>Total</b>	<b>36.094.820</b>	<b>31.399.117</b>

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 36.234.983 and TL 140.163 of these customers have not been rated.

In cases where financial institutions do not have their own external ratings, the credit quality of the bank, which is the main shareholder of the financial institution, is evaluated as an average, taking into account the external rating of the bank.

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

	Current Period				Prior Period			
	31- 60 Days	61- 90 Days	Other	Total <sup>(1)</sup>	31- 60 Days	61- 90 Days	Other	Total
Corporate Loans	1.255	-	-	1.255	10.631	-	-	10.631
SME Loans	731	-	-	731	-	202	-	202
Consumer Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.986</b>	<b>-</b>	<b>-</b>	<b>1.986</b>	<b>10.631</b>	<b>202</b>	<b>-</b>	<b>10.833</b>

<sup>(1)</sup> Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 27.724.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Profile of significant exposures in major region**

	<i>Risk Types <sup>(1)</sup></i>							<i>Risk Types <sup>(1)</sup></i>							<b>Total</b>		
	<b>Exposures to sovereigns and their central banks</b>	<b>Exposures to regional and local governments</b>	<b>Exposures to administrative bodies and noncommercial entities</b>	<b>Exposures to multilateral development banks</b>	<b>Exposures to international organizations</b>	<b>Exposures to banks and securities firms</b>	<b>Exposures to corporates</b>	<b>Retail exposures</b>	<b>Exposures secured by property</b>	<b>Past due receivables</b>	<b>Exposures in higher- risk categories</b>	<b>Exposures in the form of bonds secured by mortgages</b>	<b>Short term exposures to banks, brokerage houses and corporates</b>	<b>Equity investments in the form of collective investment undertakings</b>		<b>Equity investments</b>	<b>Other exposures</b>
<b>Current Period</b>																	
Domestic	7.512.652	-	1.128	-	-	1.569.356	31.396.930	-	1.651.791	749.429	77.654	-	-	-	91.820	49.012	43.099.772
European Union (EU) Countries	-	-	-	-	-	249.122	-	-	-	-	-	-	-	-	53.806	96.782	399.710
OECD Countries <sup>(2)</sup>	-	-	-	-	-	10.001	-	-	-	-	-	-	-	-	-	-	10.001
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	172.899	-	-	-	-	-	-	-	-	-	-	172.899
Other Countries	-	-	-	-	-	-	123.972	-	-	-	-	-	-	-	-	-	123.972
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.012.423	-	1.012.423
Unallocated Assets/ Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.459	-	-	-	-	-	-	-	-	95.295	96.754
<b>Total</b>	<b>7.512.652</b>	<b>-</b>	<b>1.128</b>	<b>-</b>	<b>-</b>	<b>2.001.378</b>	<b>31.522.361</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.158.049</b>	<b>241.089</b>	<b>44.915.531</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Profile of significant exposures in major region (continued)**

Prior Period	Risk Types <sup>(1)</sup>							Risk Types <sup>(1)</sup>							Total		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings		Equity investments	Other exposures
Domestic	6.274.497	-	2.324	-	-	1.966.797	27.927.285	-	1.388.579	427.721	1.114	-	-	-	18.593	80.389	38.087.299
European Union (EU)																	
Countries	-	-	-	-	-	516.755	-	-	-	-	-	-	-	-	41.778	97.405	655.938
OECD Countries <sup>(2)</sup>	-	-	-	-	-	3.229	-	-	-	-	-	-	-	-	-	-	3.229
Off-Shore Banking Regions																	
USA, Canada	-	-	-	-	-	100.763	-	-	-	-	-	-	-	-	-	-	100.763
Other Countries	-	-	-	-	-	-	109.969	-	-	-	-	-	-	-	-	-	109.969
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	767.918	-	767.918
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.283	-	-	-	-	-	-	-	-	56.976	58.259
<b>Total</b>	<b>6.274.497</b>	<b>-</b>	<b>2.324</b>	<b>-</b>	<b>-</b>	<b>2.587.544</b>	<b>28.038.537</b>	<b>-</b>	<b>1.388.579</b>	<b>427.721</b>	<b>1.114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>828.289</b>	<b>234.770</b>	<b>39.783.375</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Risk profile by sectors or counterparties**

Current Period	Risk Types <sup>(1)</sup>							Risk Types <sup>(1)</sup>							TL	FC	Total		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Exposures secured by property	Past due recei- vables	Exposures in higher- risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity invest- ments				Other exposures	
																			Retail exposures
Agriculture	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	340	29.284	8.781	38.065	
Farming and Stockbreeding	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	28.944	8.781	37.725	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	-	20.513.652	-	372.166	670.336	77.654	-	-	-	-	1.159.284	20.474.524	21.633.808	
Mining and Quarrying	-	-	-	-	-	-	577.828	-	16.880	-	-	-	-	-	-	-	594.708	594.708	
Production	-	-	-	-	-	-	6.383.965	-	343.041	7.737	7	-	-	-	-	734.041	6.000.709	6.734.750	
Electricity, Gas and Water	-	-	-	-	-	-	13.551.859	-	12.245	662.599	77.647	-	-	-	-	425.243	13.879.107	14.304.350	
Construction	-	-	-	-	-	-	1.073.133	-	336.448	1.880	-	-	-	-	-	240.758	1.170.703	1.411.461	
Services	804.012	-	1.128	-	-	2.001.378	9.708.254	-	928.324	74.423	-	-	-	-	1.158.049	96.782	3.291.630	11.480.720	14.772.350
Wholesale and Retail Trade	-	-	-	-	-	-	579.721	-	6.598	74423	-	-	-	-	-	235.666	425.076	660.742	
Accommodation and Dining	-	-	-	-	-	-	460.927	-	676.998	-	-	-	-	-	-	86.721	1.051.204	1.137.925	
Transportation and Telecommunication	-	-	-	-	-	-	2.267.772	-	-	-	-	-	-	-	65.459	-	86.341	2.246.890	2.333.231
Financial Institutions	804.012	-	1.128	-	-	2.001.378	3.650.355	-	-	-	-	-	-	-	1.088.411	96.782	2.349.613	5.292.453	7.642.066
Real Estate and Rental Services	-	-	-	-	-	-	277.980	-	-	-	-	-	-	-	-	7.816	270.164	277.980	
Professional Services	-	-	-	-	-	-	1.472.443	-	-	-	-	-	-	-	4.179	-	466.164	1.010.458	1.476.622
Educational Services	-	-	-	-	-	-	192.336	-	17.395	-	-	-	-	-	-	50.094	159.637	209.731	
Health and Social Services	-	-	-	-	-	-	806.720	-	227.333	-	-	-	-	-	-	9.215	1.024.838	1.034.053	
Others	6.708.640	-	-	-	-	-	192.387	-	14.853	-	-	-	-	-	-	143.967	4.625.962	2.433.885	7.059.847
<b>Total</b>	<b>7.512.652</b>	<b>-</b>	<b>1.128</b>	<b>-</b>	<b>-</b>	<b>2.001.378</b>	<b>31.522.361</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.158.049</b>	<b>241.089</b>	<b>9.346.918</b>	<b>35.568.613</b>	<b>44.915.531</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Risk profile by sectors or counterparties (continued)**

Prior Period	Risk Types <sup>(1)</sup>							Risk Types <sup>(1)</sup>							TL	FC	Total		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings				Equity investments	Other exposures
Agriculture	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	340	33.050	44.917	77.967
Farming and Stockbreeding	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	-	32.710	44.917	77.627
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	18.424.244	-	390.215	417.732	1.114	-	-	-	-	1.024.780	18.208.525	19.233.305	
Mining and Quarrying	-	-	-	-	-	-	574.527	-	16.880	-	-	-	-	-	-	-	12.155	579.252	591.407
Production	-	-	-	-	-	-	5.447.388	-	223.227	-	-	-	-	-	-	-	783.423	4.887.192	5.670.615
Electricity, Gas and Water	-	-	-	-	-	-	12.402.329	-	150.108	417.732	1.114	-	-	-	-	-	229.202	12.742.081	12.971.283
Construction	-	-	-	-	-	-	1.113.505	-	215.620	1.742	-	-	-	-	-	-	207.493	1.123.374	1.330.867
Services	743.202	-	2.324	-	-	2.587.544	7.963.538	-	767.165	8.247	-	-	-	828.289	177.443	2.540.765	10.536.987	13.077.752	
Wholesale and Retail Trade	-	-	-	-	-	-	561.081	-	6.598	-	-	-	-	-	-	-	6.792	560.887	567.679
Accommodation and Dining	-	-	-	-	-	-	561.724	-	653.028	-	-	-	-	-	-	-	107.383	1.107.369	1.214.752
Transportation and Telecommunication	-	-	-	-	-	-	1.959.931	-	-	-	-	-	-	-	1.056	-	1.625	1.959.362	1.960.987
Financial Institutions	743.202	-	2.324	-	-	2.587.544	2.327.813	-	-	-	-	-	-	823.454	177.443	1.970.948	4.690.832	6.661.780	
Real Estate and Rental Services	-	-	-	-	-	-	377.052	-	57.961	8.247	-	-	-	-	-	-	8.247	435.013	443.260
Professional Services	-	-	-	-	-	-	1.089.457	-	-	-	-	-	-	-	3.779	-	426.464	666.772	1.093.236
Educational Services	-	-	-	-	-	-	133.827	-	23.010	-	-	-	-	-	-	-	877	155.960	156.837
Health and Social Services	-	-	-	-	-	-	952.653	-	26.568	-	-	-	-	-	-	-	18.429	960.792	979.221
Others	5.531.295	-	-	-	-	-	459.623	-	15.579	-	-	-	-	-	-	56.987	3.985.349	2.078.135	6.063.484
<b>Total</b>	<b>6.274.497</b>	<b>-</b>	<b>2.324</b>	<b>-</b>	<b>-</b>	<b>2.587.544</b>	<b>28.038.537</b>	<b>-</b>	<b>1.388.579</b>	<b>427.721</b>	<b>1.114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>828.289</b>	<b>234.770</b>	<b>7.791.437</b>	<b>31.991.938</b>	<b>39.783.375</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.



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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Analysis of maturity-bearing exposures according to remaining maturities*

Risk Types <sup>(1)</sup>	Term to Maturity					
	Current Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	843.155	358.011	391.497	158.809	4.875.385	
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	1.128	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and securities firms	703.446	272.595	380.933	308.290	336.065	
Exposures to corporates	2.210.425	968.321	1.217.869	2.043.538	24.750.075	
Retail exposures	-	-	-	-	-	-
Exposures secured by property	-	-	15.553	30.821	1.605.416	
Past due receivables	-	-	-	-	-	-
Exposures in higher-risk categories	7.920	292	-	140	41.989	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-
Other exposures	26	-	247	-	13.190	
<b>Total</b>	<b>3.766.100</b>	<b>1.599.219</b>	<b>2.006.099</b>	<b>2.541.598</b>	<b>31.622.120</b>	

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Analysis of maturity-bearing exposures according to remaining maturities (continued)*

Risk Types <sup>(1)</sup>	Term to Maturity					
	Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	743.202	45.012	312.004	513.776	4.619.586	
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	2.324	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and securities firms	1.566.581	170.582	44.950	-	803.585	
Exposures to corporates	1.049.490	764.440	837.867	1.646.756	23.532.190	
Retail exposures	-	-	-	-	-	-
Exposures secured by property	395	-	63.006	18.081	1.307.096	
Past due receivables	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	1.114	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-
Other exposures	833	-	-	518	21.631	
<b>Total</b>	<b>3.362.825</b>	<b>980.034</b>	<b>1.257.827</b>	<b>2.179.131</b>	<b>30.285.202</b>	

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Credit risk under standard approach**

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in capital adequacy calculation regarding exposures to banks and securities firm and corporates reside abroad, sovereigns and central bank. Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Risk Types		
			Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Original Maturities Less Than 3 Months	Claims with Original Maturities More Than 3 Months	
1	AAA AA+ AA	0%			
	AA-		20%	20%	20%
	A+				
2	A	20%			
	A-		20%	50%	50%
	BBB+				
3	BBB	50%			
	BBB-		20%	50%	100%
	BB+				
4	BB	100%			
	BB-		50%	100%	100%
	B+				
5	B	100%			
	B-		50%	100%	150%
	CCC+				
	CCC				
6	CCC-	150%			
	CC				
	C				
	D		150%	150%	150%
Unrated	Unrated	100%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	100%

<sup>(1)</sup> Used in case when the risk weight of the sovereign of the Bank's country is not higher.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Exposures by risk weights**

Risk Weights	Current Period									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deducted from Equity
Exposures Before										
Credit Risk Mitigation	5.093.761	-	1.309.159	407.242	-	37.477.711	79.240	-	566.166	372.564
Exposures After Credit										
Risk Mitigation	5.240.740	-	1.309.159	2.059.033	-	35.661.193	79.240	-	566.166	372.564

Risk Weights	Prior Period									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deducted from Equity
Exposures Before										
Credit Risk Mitigation	4.458.690	-	1.050.126	635.810	-	33.177.283	2.565	-	471.226	563.664
Exposures After Credit										
Risk Mitigation	4.646.082	-	1.050.126	2.025.943	-	31.587.433	2.565	-	471.226	563.664

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Miscellaneous information by key sectors or counterparty*

All of the Bank's impaired and underdeveloped receivables consist of domestic buyers.

Current Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.898	25.108
Farming and Stockbreeding	-	27.898	25.108
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.650.408	957.369	465.954
Mining and Quarrying	-	196	196
Production	336.505	18.277	38.327
Electricity, Gas and Water	1.313.903	938.896	427.431
Services	1.547.731	113.255	200.516
Wholesale and Retail Trade	69.088	107.441	52.364
Accommodation and Dining	-	-	-
Transportation and Telecommunication	164.354	-	53.229
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	926.288	5.814	46.196
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	388.001	-	48.727
Others	201.212	4.352	12.674
<b>Total</b>	<b>3.399.351</b>	<b>1.102.874</b>	<b>704.252</b>

<sup>(1)</sup> Includes cash loans and leasing receivables.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Miscellaneous information by key sectors or counterparty (continued)*

Prior Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	-	-
Farming and Stockbreeding	-	-	-
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.541.322	563.077	261.213
Mining and Quarrying	-	195	195
Production	179.778	6.975	23.552
Electricity, Gas and Water	1.361.544	555.907	237.466
Services	940.633	20.618	92.768
Wholesale and Retail Trade	-	-	-
Accommodation and Dining	2.378	-	53
Transportation and Telecommunication	136.988	-	15.754
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	801.267	20.618	76.961
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	-	-	-
Others	170.944	8.679	21.812
<b>Total</b>	<b>2.652.899</b>	<b>592.374</b>	<b>375.793</b>

<sup>(1)</sup> Includes cash loans.

*Information related with value adjustments and loan loss provisions*

Current Period	Opening balance <sup>(1)</sup>	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	164.653	198.007	(9.215)	-	353.445
Stage 1-2 Provisions	362.362	193.412	-	-	555.774
Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	48.025	125.642	(9.014)	-	164.653
Stage 1-2 Provisions	148.863	213.499	-	-	362.362

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Exposures Subject to Countercyclical Capital Buffer**

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

<b>Current Period</b>			
<b>Country risk taken ultimately</b>	<b>Private Sector Loans in Banking Book</b>	<b>Risk Weighted Amount calculations for Trading Book</b>	<b>Total</b>
United States	39.819	-	39.819
Georgia	123.972	-	123.972
England	51.710	-	51.710
Turkey	37.295.281	-	37.295.281
<b>Total</b>	<b>37.510.782</b>	<b>-</b>	<b>37.510.782</b>

<b>Prior Period</b>			
<b>Country risk taken ultimately</b>	<b>Private Sector Loans in Banking Book</b>	<b>Risk Weighted Amount calculations for Trading Book</b>	<b>Total</b>
United States	5.823	-	5.823
Georgia	109.969	-	109.969
England	62.733	-	62.733
Turkey	32.532.046	-	32.532.046
<b>Total</b>	<b>32.710.571</b>	<b>-</b>	<b>32.710.571</b>

**III. Explanations related to currency risk**

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	<b>1 US Dollar</b>	<b>1 Euro</b>
<b>The Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2019	5,9160	6,6289
<b>Prior Five Workdays:</b>		
30 December 2019	5,9150	6,6213
27 December 2019	5,9075	6,5697
26 December 2019	5,9100	6,5547
25 December 2019	5,9140	6,5560
24 December 2019	5,9100	6,5539

Simple arithmetic one month averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to currency risk (continued)**

**Information on the Bank's foreign currency risk:**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	326.415	477.113	-	803.528
Banks	18.601	51.548	7.695	77.844
Financial Assets at Fair Value Through Profit or Loss <sup>(1)</sup>	74.570	378.039	1.012	453.621
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	61.199	1.915.940	-	1.977.139
Loans <sup>(2)</sup>	13.526.294	14.764.672	-	28.290.966
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	299.266	-	299.266
Derivative Financial Assets for Hedging Purposes	-	67.884	-	67.884
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(3)</sup>	76.468	323.096	-	399.564
<b>Total Assets</b>	<b>14.083.547</b>	<b>18.277.558</b>	<b>8.707</b>	<b>32.369.812</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	128.954	533.218	-	662.172
Funds Provided From Other Financial Institutions	11.843.455	13.887.946	-	25.731.401
Marketable Securities Issued <sup>(4)</sup>	-	7.853.495	-	7.853.495
Miscellaneous Payables	7.953	49.227	405	57.585
Derivative Financial Liabilities for Hedging Purposes <sup>(5)</sup>	-	16.545	-	16.545
Other Liabilities <sup>(6)</sup>	84.827	117.885	494	203.206
<b>Total Liabilities</b>	<b>12.065.189</b>	<b>22.458.316</b>	<b>899</b>	<b>34.524.404</b>
<b>Net Balance Sheet Position</b>	<b>2.018.358</b>	<b>(4.180.758)</b>	<b>7.808</b>	<b>(2.154.592)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(2.967.435)	(2.614.729)	(157.686)	(5.739.850)
Non-Cash Loans <sup>(7)</sup>	1.806.354	2.287.913	2.715	4.096.982
<b>Prior Period</b>				
Total Assets	12.782.716	16.915.932	17.057	29.715.705
Total Liabilities	11.471.315	20.926.945	952	32.399.212
<b>Net Balance Sheet Position</b>	<b>1.311.401</b>	<b>(4.011.013)</b>	<b>16.105</b>	<b>(2.683.507)</b>
<b>Net Off -Balance Sheet Position</b>				
Financial Derivative Assets	1.902.722	6.761.213	153.506	8.817.441
Financial Derivative Liabilities	(3.125.577)	(2.805.061)	(168.498)	(6.099.136)
Non-Cash Loans <sup>(7)</sup>	1.351.786	1.334.076	-	2.685.862

<sup>(1)</sup> Exchange rate differences arising from derivative transactions amounting to TL 50.658 is deducted from "Financial Assets at Fair Value Through Profit and Loss".  
<sup>(2)</sup> Loans include TL 1.550.351 foreign currency indexed loans, TL 128.874 financial lease receivables, TL 637.135 non-performing loans, and TL (154.436) credit-impaired losses (stage III/specific provision).  
<sup>(3)</sup> Prepaid expenses amounting to TL 1.628, 12 months expected credit loss for other assets amounting to TL (1.041) are not included other assets.  
<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.  
<sup>(5)</sup> Derivative financial assets for hedging purposes has classified in line of derivative financial assets in financial statement.  
Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.  
<sup>(6)</sup> Marketable securities value increase fund amounting to TL (3.357), exchange rate differences arising from derivative transactions amounting to TL 45.752, forward foreign exchange purchase transaction rediscounts amounting to TL 24, and other provisions amounting to TL 22.070 have not been included in "Other Liabilities".  
<sup>(7)</sup> Has no effect on net off-balance sheet position.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to currency risk (continued)**

**Information on the Bank's foreign currency risk: (Continued)**

The Bank is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate %	Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	28.442	(6.030)	(509)	544
Euro	10	8.835	8.823	10	31
Other	10	2	111	-	-

	Decrease in Currency Rate %	Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(28.442)	6.030	509	(544)
Euro	10	(8.835)	(8.823)	(10)	(31)
Other	10	(2)	(111)	-	-

<sup>(1)</sup> Values expressed are before the tax effect.

<sup>(2)</sup> Effect on equity does not include effect on profit/loss.

**IV. Explanations related to interest rate risk**

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results, which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total <sup>(2)</sup>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	803.582	-	-	-	-	26	803.608
Banks <sup>(2)</sup>	66.978	-	-	-	-	11.120	78.098
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	187.071	401.575	316.607	151.629	168.513	-	1.225.395
Money Market Placements <sup>(2)</sup>	252.767	272.580	252	-	-	-	525.599
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	159.716	436.915	1.147.301	1.646.055	679.717	94.459	4.164.163
Loans <sup>(2)</sup>	5.398.515	7.365.035	8.697.347	5.230.649	3.855.702	-	30.547.248
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	338.296	994.092	950.535	-	298.877	-	2.581.800
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	2.009.784	2.074.187
<b>Total Assets</b>	<b>7.206.925</b>	<b>9.470.197</b>	<b>11.112.042</b>	<b>7.092.736</b>	<b>5.002.809</b>	<b>2.115.389</b>	<b>42.000.098</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.031.556	-	-	-	-	-	1.031.556
Miscellaneous Payables	-	-	-	-	-	69.967	69.967
Marketable Securities Issued <sup>(4)</sup>	-	-	2.087.826	5.765.669	-	-	7.853.495
Funds Provided from Other Financial Institutions	3.646.106	6.176.586	9.490.539	2.692.068	4.341.632	-	26.346.931
Other Liabilities	121.783	222.183	127.051	47.604	-	6.179.528	6.698.149
<b>Total Liabilities</b>	<b>4.799.445</b>	<b>6.398.769</b>	<b>11.705.416</b>	<b>8.505.341</b>	<b>4.341.632</b>	<b>6.249.495</b>	<b>42.000.098</b>
<b>Balance Sheet Long Position</b>	<b>2.407.480</b>	<b>3.071.428</b>	<b>-</b>	<b>-</b>	<b>661.177</b>	<b>-</b>	<b>6.140.085</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>(593.374)</b>	<b>(1.412.605)</b>	<b>-</b>	<b>(4.134.106)</b>	<b>(6.140.085)</b>
Off-Balance Sheet Long Position	-	-	-	4.035.583	673.362	-	4.708.945
Off-Balance Sheet Short Position	(1.184.952)	(1.317.889)	(1.773.188)	-	-	-	(4.276.029)
<b>Total Position</b>	<b>1.222.528</b>	<b>1.753.539</b>	<b>(2.366.562)</b>	<b>2.622.978</b>	<b>1.334.539</b>	<b>(4.134.106)</b>	<b>432.916</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	423.408	-	-	-	-	319.573	742.981
Banks <sup>(2)</sup>	585.203	-	-	-	-	38.545	623.748
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	283.500	438.541	498.172	48.603	-	-	1.268.816
Money Market Placements <sup>(2)</sup>	357.708	170.576	44.949	-	-	-	573.233
Available-for-Sale Financial Assets	131.914	92.670	1.341.530	1.538.414	221.517	62.732	3.388.777
Loans <sup>(2)</sup>	5.426.218	6.842.331	8.791.312	5.423.543	942.241	-	27.425.645
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	311.618	904.733	672.132	-	264.830	-	2.153.313
Other Assets <sup>(2)</sup>	-	-	-	-	-	2.121.598	2.121.598
<b>Total Assets</b>	<b>7.519.569</b>	<b>8.448.851</b>	<b>11.348.095</b>	<b>7.010.560</b>	<b>1.428.588</b>	<b>2.542.448</b>	<b>38.298.111</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	178.907	94	-	-	-	-	179.001
Miscellaneous Payables	-	-	-	-	-	31.819	31.819
Marketable Securities Issued <sup>(4)</sup>	-	-	1.797.030	6.701.933	-	-	8.498.963
Funds Provided from Other Financial Institutions	4.159.029	8.408.160	4.753.669	3.985.813	2.269.347	-	23.576.018
Other Liabilities	232.003	262.804	284.877	45.164	-	5.187.462	6.012.310
<b>Total Liabilities</b>	<b>4.569.939</b>	<b>8.671.058</b>	<b>6.835.576</b>	<b>10.732.910</b>	<b>2.269.347</b>	<b>5.219.281</b>	<b>38.298.111</b>
<b>Balance Sheet Long Position</b>	<b>2.949.630</b>	<b>-</b>	<b>4.512.519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.462.149</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>(222.207)</b>	<b>-</b>	<b>(3.722.350)</b>	<b>(840.759)</b>	<b>(2.676.833)</b>	<b>(7.462.149)</b>
Off-Balance Sheet Long Position	-	-	-	6.677.488	541.315	-	7.218.803
Off-Balance Sheet Short Position	(1.720.265)	(1.897.660)	(3.335.297)	-	-	-	(6.953.222)
<b>Total Position</b>	<b>1.229.365</b>	<b>(2.119.867)</b>	<b>1.177.222</b>	<b>2.955.138</b>	<b>(299.444)</b>	<b>(2.676.833)</b>	<b>265.581</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

*Average interest rates applied to monetary financial instruments: %*

	Euro	US Dollar	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	4,72	1,55	-	-
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	-
Money Market Placements	-	-	-	13,50
Financial Assets at Fair Value Through Other Comprehensive Income	4,24	4,76	-	17,49
Loans	4,59	6,72	-	16,12
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	-
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,03	2,87	-	10,78

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes loans measured at fair value through profit or loss.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments in prior period: %**

	Euro	US Dollar	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	2,10	-	11,35
Banks	-	2,30	-	25,75
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	-
Money Market Placements	-	-	-	24,59
Financial Assets at Fair Value Through Other Comprehensive Income	5,62	4,32	-	16,94
Loans	4,49	7,40	-	18,89
Financial Assets Measured at Amortized Cost	-	6,77	-	16,76
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,75	1,50	-	15,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	-
Borrower Funds	0,75	1,50	-	15,00
Funds Provided From Other Financial Institutions	1,00	3,28	-	10,30

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes loans measured at fair value through profit or loss.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to stock position risk**

The Bank is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). The Bank classifies its share certificate investments both as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and net profit/loss of the Bank is not affected unless the Bank sells share certificates in financial assets at fair value through profit or loss portfolio.

**Equity shares risk due from banking book**

The table below is the comparison table of the Bank's share certificate instruments' book value, fair value and market value.

<b>Current Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>851.774</b>	<b>851.774</b>	<b>851.774</b>
Quoted	851.774	851.774	851.774
<b>Investment in Shares-Grade B</b>	<b>346.953</b>	<b>346.953</b>	<b>346.953</b>
Quoted	346.953	346.953	346.953
<b>Prior Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>978.939</b>	<b>978.939</b>	<b>978.939</b>
Quoted	978.939	978.939	978.939
<b>Investment in Shares-Grade B</b>	<b>211.144</b>	<b>211.144</b>	<b>211.144</b>
Quoted	211.144	211.144	211.144

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to stock position risk (continued)**

**Equity shares risk due from banking book (continued)**

Current Period	Realized Revenues and Losses in the Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	761.602	761.602	-	-	-
Other Share Certificates	-	120.256	120.256	-	-	-
<b>Total</b>	<b>-</b>	<b>881.858</b>	<b>881.858</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prior Period	Realized Revenues and Losses in the Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	724.294	724.294	-	-	-
Other Share Certificates	-	67.478	67.478	-	-	-
<b>Total</b>	<b>-</b>	<b>791.772</b>	<b>791.772</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio**

**1. Explanations related to the liquidity risk**

**1.a Information about the governance of unconsolidated liquidity risk management, including: risk tolerance, structure and responsibilities for unconsolidated liquidity risk management, internal unconsolidated liquidity reporting and communication of unconsolidated liquidity risk strategy, policies and practices across business lines and with the board of directors**

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

**1.b Information on the centralization degree of unconsolidated liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries**

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

**1.c Information on the Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.



**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**1. Explanations related to the liquidity risk (continued)**

**1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

**1.d Information on unconsolidated liquidity risk mitigation techniques**

Unconsolidated Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article c. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

**1.e Information on the use of stress tests**

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

**1.f General information on urgent and unexpected unconsolidated liquidity situation plans**

There is a Contingency Funding Plan for the contingent periods that arises beyond the Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cash flow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cash flow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**2. Liquidity Coverage Ratio**

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months unconsolidated foreign currency and total liquidity coverage ratios are shown below:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets	-	-	3.868.331	1.696.188
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	32	5	3	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	32	5	3	1
5 Unsecured Funding other than Retail and Small Business, Customers Deposits	2.457.654	2.186.604	2.061.817	1.801.265
6 Operational deposits	98.291	84.906	24.573	21.226
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.359.363	2.101.698	2.037.244	1.780.039
9 Secured funding	-	-	-	-
10 Other Cash Outflows	936.105	1.230.464	936.105	1.230.464
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	758.360	1.052.719	758.360	1.052.719
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	177.745	177.745	177.745	177.745
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.644.761	16.429.582	1.032.238	821.479
15 Other irrevocable or conditionally revocable commitments	7.648.630	6.781.768	866.083	749.794
<b>16 TOTAL CASH OUTFLOWS</b>			<b>4.896.246</b>	<b>4.603.003</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	105.105	-	-	-
18 Unsecured Lending Transactions	2.709.927	1.688.982	2.034.687	1.165.220
19 Other contractual cash inflows	84.214	1.356.319	84.214	1.356.319
<b>20 TOTAL CASH INFLOWS</b>	<b>2.899.246</b>	<b>3.045.301</b>	<b>2.118.901</b>	<b>2.521.539</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>3.868.331</b>	<b>1.696.188</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>2.777.345</b>	<b>2.081.464</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>139</b>	<b>81</b>

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**2. Liquidity Coverage Ratio (continued)**

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets	-	-	3.720.239	1.235.400
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	37	8	4	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	37	8	4	1
Unsecured Funding other than Retail and Small Business				
5 Customers Deposits	1.020.707	702.818	818.910	508.541
6 Operational deposits	49.428	39.600	12.357	9.900
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	971.279	663.218	806.553	498.641
9 Secured funding	-	-	-	-
10 Other Cash Outflows	948.443	1.183.870	948.443	1.183.870
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	784.624	1.020.051	784.624	1.020.051
12 Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	163.819	163.819	163.819	163.819
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	16.578.496	13.188.834	828.925	659.442
15 Other irrevocable or conditionally revocable commitments	6.891.846	5.875.588	866.195	668.196
<b>16 TOTAL CASH OUTFLOWS</b>			<b>3.462.477</b>	<b>3.020.050</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.716.065	1.556.988	2.048.576	1.089.676
19 Other contractual cash inflows	75.055	1.564.511	75.055	1.564.511
<b>20 TOTAL CASH INFLOWS</b>	<b>2.791.120</b>	<b>3.121.499</b>	<b>2.123.631</b>	<b>2.654.187</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>3.720.239</b>	<b>1.235.400</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1.338.846</b>	<b>755.013</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>278</b>	<b>164</b>

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**3. Minimum explanations related to the liquidity coverage ratio by Banks:**

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. For total and foreign currency limits 100% and 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 26%. 7% of the Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)</sup>	Total <sup>(2)</sup>
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	26	803.582	-	-	-	-	-	803.608
Banks <sup>(2)</sup>	11.120	66.978	-	-	-	-	-	78.098
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	-	326.523	477.909	395.893	25.070	-	-	1.225.395
Money Market Placements <sup>(2)</sup>	-	252.767	272.580	252	-	-	-	525.599
Financial Assets at Fair Value Through Other Comprehensive Income	-	70.377	363.104	574.908	2.314.896	746.419	94.459	4.164.163
Loans <sup>(2)</sup>	-	2.685.710	1.889.416	5.011.237	14.393.970	6.566.915	-	30.547.248
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	-	-	-	-	2.218.428	363.372	-	2.581.800
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	-	2.009.784	2.074.187
<b>Total Assets</b>	<b>11.146</b>	<b>4.205.937</b>	<b>3.003.009</b>	<b>6.046.693</b>	<b>18.952.364</b>	<b>7.676.706</b>	<b>2.104.243</b>	<b>42.000.098</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	909.188	517.183	3.898.939	10.993.787	10.027.834	-	26.346.931
Money Market Borrowings	-	1.031.556	-	-	-	-	-	1.031.556
Marketable Securities Issued <sup>(4)</sup>	-	99.070	55.245	2.088.547	5.610.633	-	-	7.853.495
Miscellaneous Payables	-	-	-	-	-	-	69.967	69.967
Other Liabilities	-	121.783	222.183	127.051	47.604	-	6.179.528	6.698.149
<b>Total Liabilities</b>	<b>-</b>	<b>2.161.597</b>	<b>794.611</b>	<b>6.114.537</b>	<b>16.652.024</b>	<b>10.027.834</b>	<b>6.249.495</b>	<b>42.000.098</b>
<b>Liquidity Gap</b>	<b>11.146</b>	<b>2.044.340</b>	<b>2.208.398</b>	<b>(67.844)</b>	<b>2.300.340</b>	<b>(2.351.128)</b>	<b>(4.145.252)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(2.085)</b>	<b>(180.911)</b>	<b>311.081</b>	<b>306.043</b>	<b>(1.212)</b>	<b>-</b>	<b>432.916</b>
Financial Derivative Assets	-	3.388.370	1.928.706	6.244.197	12.887.416	3.742.034	-	28.190.723
Financial Derivative Liabilities	-	3.390.455	2.109.617	5.933.116	12.581.373	3.743.246	-	27.757.807
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.542	4.547.718
<b>Prior Period</b>								
Total Assets	358.118	2.914.822	1.631.373	5.881.611	18.467.685	6.860.172	2.184.330	38.298.111
Total Liabilities	-	535.635	428.401	5.085.636	17.572.986	9.456.172	5.219.281	38.298.111
<b>Liquidity Gap</b>	<b>358.118</b>	<b>2.379.187</b>	<b>1.202.972</b>	<b>795.975</b>	<b>894.699</b>	<b>(2.596.000)</b>	<b>(3.034.951)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(49.908)</b>	<b>(9.991)</b>	<b>23.591</b>	<b>286.659</b>	<b>15.232</b>	<b>-</b>	<b>265.583</b>
Financial Derivative Assets	-	3.600.199	2.113.463	4.378.824	12.035.187	7.121.613	-	29.249.286
Financial Derivative Liabilities	-	3.650.107	2.123.454	4.355.233	11.748.528	7.106.381	-	28.983.703
Non-cash Loans	-	117.206	149.450	1.331.211	249.706	840.965	485.271	3.173.809

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VII. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

*Analysis of financial liabilities by remaining contractual maturities*

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of undiscounted cashflow of financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	912.994	552.597	4.255.712	12.304.472	11.377.902	(3.056.746)	26.346.931
Money Market Borrowings	1.032.719	-	-	-	-	(1.163)	1.031.556
Marketable Securities Issued	56.942	67.673	2.334.795	6.151.188	-	(757.103)	7.853.495
Funds	58.950	-	-	-	-	-	58.950
Leasing Liabilities	1.329	2.684	10.737	35.087	-	(15.559)	34.278
<b>Total</b>	<b>2.062.934</b>	<b>622.954</b>	<b>6.601.244</b>	<b>18.490.747</b>	<b>11.377.902</b>	<b>(3.830.571)</b>	<b>35.325.210</b>
<b>Prior Period</b>							
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	249.101	469.569	3.554.152	11.763.632	10.633.981	(3.094.417)	23.576.018
Money Market Borrowings	178.943	97	-	-	-	(39)	179.001
Marketable Securities Issued	49.424	58.732	2.169.217	7.473.832	-	(1.252.242)	8.498.963
Funds	32.529	-	-	-	-	-	32.529
<b>Total</b>	<b>509.997</b>	<b>528.398</b>	<b>5.723.369</b>	<b>19.237.464</b>	<b>10.633.981</b>	<b>(4.346.698)</b>	<b>32.286.511</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VII. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**Analysis of financial liabilities by remaining contractual maturities (continued)**

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.238.555	2.993.242	8.293.852	24.774.091	7.485.280	48.785.020
Forward Contracts	727.240	552.169	3.455.183	653.118	-	5.387.710
Futures Transactions	-	-	-	-	-	-
Options	813.030	492.912	428.278	41.580	-	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>6.778.825</b>	<b>4.038.323</b>	<b>12.177.313</b>	<b>25.468.789</b>	<b>7.485.280</b>	<b>55.948.530</b>

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.430.500	3.072.053	6.765.757	26.785.018	7.096.803	49.150.131
Forward Contracts	1.313.247	727.695	785.000	975.007	-	3.800.949
Futures Transactions	-	-	-	-	-	-
Options	726.110	1.028.724	3.476.077	37.597	-	5.268.508
Other	-	13.401	-	-	-	13.401
<b>Total</b>	<b>7.469.857</b>	<b>4.841.873</b>	<b>11.026.834</b>	<b>27.797.622</b>	<b>7.096.803</b>	<b>58.232.989</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**Explanations related to presentation of financial assets and liabilities at fair value.**

**VII. Explanations related to leverage ratio**

**a) Information on subjects that causes difference in leverage ratio between current and prior period**

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

As of 31 December 2019, leverage ratio of the Bank calculated from the arithmetic average of the three months is 11,10% (31 December 2018: 9,11%). Total balance sheet assets are increased by 1,90% compared to prior period.

**b) Leverage Ratio**

	<b>Current Period <sup>(1)</sup></b>	<b>Prior Period <sup>(1)</sup></b>
<b>Balance sheet Assets</b>		
<b>1</b> Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	39.102.216	38.380.347
<b>2</b> (Assets deducted from Core Capital)	(286.811)	(713.806)
<b>3 Total risk amount of balance sheet assets (sum of lines 1 and 2)</b>	<b>38.815.405</b>	<b>37.666.541</b>
<b>Derivative financial assets and credit derivatives</b>		
<b>4</b> Cost of replenishment for derivative financial assets and credit derivatives	991.440	1.232.186
<b>5</b> Potential credit risk amount of derivative financial assets and credit derivatives	384.647	467.538
<b>6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)</b>	<b>1.376.087</b>	<b>1.699.724</b>
<b>Financing transactions secured by marketable security or commodity</b>		
<b>7</b> Risk amount of financing transactions secured by marketable security or commodity	572.349	474.363
<b>8</b> Risk amount arising from intermediary transactions	-	-
<b>9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)</b>	<b>572.349</b>	<b>474.363</b>
<b>Off-balance sheet transactions</b>		
<b>10</b> Gross notional amount of off-balance sheet transactions	8.059.823	6.453.655
<b>11</b> (Correction amount due to multiplication with credit conversion rates)	(2.804.361)	(2.294.016)
<b>12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)</b>	<b>5.255.462</b>	<b>4.159.639</b>
<b>Capital and total risk</b>		
<b>13</b> Core Capital	5.109.154	4.008.660
<b>14</b> Total risk amount (sum of lines 3, 6, 9 and 12)	46.019.303	44.000.267
<b>Leverage ratio</b>		
<b>15 Leverage ratio</b>	<b>11,10%</b>	<b>9,11%</b>

<sup>(1)</sup>The arithmetic average of the last three months in the related periods in accordance with BRSA Regulation.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value**

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>Financial Assets</b>	<b>38.777.251</b>	<b>37.514.698</b>
Money Market Placements	525.628	525.628
Banks	78.132	78.132
Financial Assets at Fair Value Through Other Comprehensive Income	4.164.163	4.164.163
Financial asset measured at amortized cost	2.585.160	2.552.348
Loans <sup>(1)</sup>	31.424.168	30.194.427
<b>Financial Liabilities</b>	<b>35.360.899</b>	<b>35.145.540</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	27.437.437	27.437.437
Marketable Securities Issued <sup>(2)</sup>	7.853.495	7.638.136
Miscellaneous Payables	69.967	69.967

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>Financial Assets</b>	<b>34.374.900</b>	<b>34.287.700</b>
Money Market Placements	573.252	573.252
Banks	623.754	623.754
Available-For-Sale Financial Assets	3.389.020	3.389.020
Held-To-Maturity Investments	2.154.941	2.033.904
Loans <sup>(1)</sup>	27.633.933	27.667.770
<b>Financial Liabilities</b>	<b>32.318.330</b>	<b>31.490.795</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	23.787.548	23.787.548
Marketable Securities Issued <sup>(2)</sup>	8.498.963	7.671.428
Miscellaneous Payables	31.819	31.819

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value (Continued)**

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i-** For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii-** For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii-** For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- iv-** For the fair value calculation of marketable securities issued, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

<b>Current Period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.957.189	55.816	146.262
Loans at Fair Value Through Profit or Loss	-	-	263.097
Associates and Subsidiaries	1.181.408	-	179.877
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	894.414	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	67.884	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	467.798	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	16.545	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Positive differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value (Continued)**

Prior Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.260.761	43.788	79.575
Loans at Fair Value Through Profit or Loss	-	-	290.660
Associates and Subsidiaries	1.181.587	-	136.045
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	978.156	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	-	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	620.061	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	172.258	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Positive differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

Real estates which are presented in the financial statements at fair value are classified at level 2.

**IX. Explanations related to transactions made on behalf of others and fiduciary transactions**

The Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Bank does not deal with fiduciary transactions.

**X. Explanations related to risk management**

**Linkages between financial statements and risk amounts**

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

Disclosures on the Risk management approach and risk-weighted amount

Risk management approach of the Bank allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Overview of risk weighted assets**

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk)	37.071.402	32.814.278	2.965.712
2 Standardised approach	37.071.402	32.814.278	2.965.712
3 Internal rating-based approach	-	-	-
4 Counterparty credit risk	1.410.244	1.497.326	112.820
5 Standardised approach for counterparty credit risk	1.410.244	1.497.326	112.820
6 Internal model method	-	-	-
7 Basic risk weight approach to internal models 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	-	-	-
14 IRB supervisory formula approach	-	-	-
15 Simplified supervisory formula approach	-	-	-
16 Market risk	577.150	339.888	46.172
17 Standardised approach	577.150	339.888	46.172
18 Internal model approaches	-	-	-
19 Operational risk	2.061.973	1.539.288	164.958
20 Basic indicator approach	2.061.973	1.539.288	164.958
21 Standard approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.415.415	1.178.064	113.233
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>42.536.184</b>	<b>37.368.844</b>	<b>3.402.895</b>

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Current Period	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	
<b>Assets</b>						
Cash and balances at Central Bank	803.608	804.036	-	-	-	-
Banks	78.098	78.132	-	-	-	-
Money Market Placements	525.599	525.628	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	263.097	263.097	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.164.163	4.164.163	2.073.989	-	-	-
Financial Assets Measured at Amortized Cost	2.581.800	2.585.160	431.344	-	-	-
Derivative Financial Assets	962.298	-	962.298	-	294.149	-
Loans	30.440.938	31.295.294	-	-	-	-
Leasing Receivables	106.310	128.874	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	64.403	64.403	-	-	-	-
Associates (net)	914.046	914.046	-	-	-	367.333
Subsidiaries (net)	452.474	452.474	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Tangible Assets (net)	91.224	89.022	-	-	-	2.202
Intangible Assets (net)	3.029	-	-	-	-	3.029
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Deferred Tax Assets	38.528	38.528	-	-	-	-
Other Assets	510.483	469.014	42.568	-	-	-
<b>Total Assets</b>	<b>42.000.098</b>	<b>41.871.871</b>	<b>3.510.199</b>	<b>-</b>	<b>294.149</b>	<b>372.564</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Current Period	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	
<b>Liabilities</b>						
Deposits	-	-	-	-	-	-
Funds Borrowed	26.346.931	-	913.928	-	-	25.433.003
Money Market Funds	1.031.556	-	1.031.556	-	-	-
Securities Issued	6.023.450	-	-	-	-	6.023.450
Funds	58.950	-	-	-	-	58.950
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	484.343	-	-	-	230.707	484.343
Factoring Payables	-	-	-	-	-	-
Lease Payables	34.278	-	-	-	-	34.278
Provisions	259.419	-	-	-	-	259.419
Current Tax Liability	77.425	-	-	-	-	77.425
Deffered tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	1.830.045	-	-	-	-	1.830.045
Other Liabilities	186.805	-	-	-	-	186.805
Shareholders' Equity	5.666.896	-	-	-	-	5.666.896
<b>Total Liabilities</b>	<b>42.000.098</b>	<b>-</b>	<b>1.945.484</b>	<b>-</b>	<b>230.707</b>	<b>40.054.614</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation (continued)**

Prior Period	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	
<b>Assets</b>						
Cash and balances at central bank	742.981	743.224	-	-	-	-
Financial Assets Held for Trading	623.748	623.754	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	573.233	573.252	-	-	-	-
Banks	-	-	-	-	-	-
Money Market Placements	3.388.777	3.389.020	1.003.454	-	-	-
Financial Assets Available-for-Sale (net)	2.153.313	2.154.941	248.394	-	-	-
Loans and Receivables	978.156	-	978.156	-	446.158	-
Factoring Receivables	27.583.787	28.092.378	-	-	-	-
Investment Held-to-Maturity (net)	132.518	133.929	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	1	1	-	-	-	-
Joint-Ventures (net)	1.017.509	1.017.509	-	-	-	556.914
Finance Lease Receivables	304.957	304.957	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-	-	-
Tangible Assets (net)	60.646	57.021	-	-	-	3.625
Intangible Assets (net)	3.125	-	-	-	-	3.125
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	3.535	3.535	-	-	-	-
Other Assets	731.825	666.925	-	-	-	65.913
<b>Total Assets</b>	<b>38.298.111</b>	<b>37.760.446</b>	<b>2.230.004</b>	<b>-</b>	<b>446.158</b>	<b>629.577</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.



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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation (continued)**

Prior Period	Carrying values of items in accordance with Turkish Accounting Standards					
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or subject to deduction from capital
<b>Liabilities</b>						
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	23.576.018	-	757.816	-	-	22.818.202
Funds Borrowed	179.001	-	179.001	-	-	-
Money Market Funds	6.949.189	-	-	-	-	6.949.189
Securities Issued Funds	32.529	-	-	-	-	32.529
Miscellaneous Payables	792.319	-	-	-	359.618	432.701
Other Liabilities	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	257.576	-	-	-	-	257.576
Derivative Financial Liabilities Held for Risk Management	91.846	-	-	-	-	91.846
Provisions	-	-	-	-	-	-
Tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	1.549.774	-	-	-	-	1.549.774
Subordinated Debts	150.855	-	-	-	-	150.855
Shareholders' Equity	4.719.004	-	-	-	-	4.719.004
<b>Total Liabilities</b>	<b>38.298.111</b>	<b>-</b>	<b>936.817</b>	<b>-</b>	<b>359.618</b>	<b>37.001.676</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

Current Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1 Asset carrying value amount under scope of regulatory consolidation <sup>(1)</sup>	42.000.098	41.871.871	-	3.467.631	294.149
2 Liabilities carrying value amount under regulatory scope of consolidation <sup>(1)</sup>	42.000.098	-	-	1.945.484	230.707
<b>3 Total net amount</b>	<b>-</b>	<b>41.871.871</b>	<b>-</b>	<b>1.522.147</b>	<b>63.442</b>
4 Off-balance sheet amounts	64.127.631	3.782.198	-	392.430	-
5 Differences due to prudential filters	-	(738.538)	-	205.389	513.708
<b>6 Risk Amounts</b>	<b>-</b>	<b>44.915.531</b>	<b>-</b>	<b>2.119.966</b>	<b>577.150</b>

<sup>(1)</sup>The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

Prior Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk <sup>(1)</sup>	Market risk
1 Asset carrying value amount under scope of regulatory consolidation	38.298.111	37.760.446	-	2.230.004	446.158
2 Liabilities carrying value amount under regulatory scope of consolidation <sup>(1)</sup>	38.298.111	-	-	936.817	359.618
<b>3 Total net amount</b>	<b>-</b>	<b>37.760.446</b>	<b>-</b>	<b>1.293.187</b>	<b>86.540</b>
4 Off-balance sheet amounts	64.497.907	2.757.584	-	422.410	-
5 Differences due to prudential filters	-	(734.655)	-	120.950	253.348
<b>6 Risk Amounts</b>	<b>-</b>	<b>39.783.375</b>	<b>-</b>	<b>1.836.547</b>	<b>339.888</b>

<sup>(1)</sup>The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VI. Explanations on financial assets" in section "Accounting Policies" of chapter three of the report.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk**

**General qualitative information on credit risk**

Credit risk is the possibility of incurring losses due to fulfill the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

**Credit quality of assets**

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments (c)	Net Values (a+b+c) (d)
	Defaulted (a)	Non-defaulted (b)		
<b>Current Period</b>				
1 Loans	1.102.874	35.018.618	878.511	35.242.981
2 Debt Securities	-	6.701.270	46.405	6.654.865
3 Off-balance sheet exposures	2.964	8.200.758	24.621	8.179.101
<b>4 Total</b>	<b>1.105.838</b>	<b>49.920.646</b>	<b>949.537</b>	<b>50.076.947</b>
<b>Prior Period</b>				
1 Loans	592.374	31.641.218	511.284	31.722.308
2 Debt Securities	-	5.660.271	179.046	5.481.225
3 Off-balance sheet exposures	2.964	6.273.940	11.986	6.264.918
<b>4 Total</b>	<b>595.338</b>	<b>43.575.429</b>	<b>702.316</b>	<b>43.468.451</b>

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Changes in stock of default loans and debt securities**

	Current Period	Balance
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>		<b>595.338</b>
2 Loans and debt securities that have defaulted since the last reporting period		515.813
3 Receivables back to non-defaulted status		-
4 Amounts written off		-
5 Other changes		(5.313)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)</b>		<b>1.105.838</b>
	Prior Period	Balance
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>		<b>50.688</b>
2 Loans and debt securities that have defaulted since the last reporting period		638.879
3 Receivables back to non-defaulted status		-
4 Amounts written off		146.730
5 Other changes		52.501
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)</b>		<b>595.338</b>

**Additional disclosure related to the credit quality of assets**

The Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Breakdown of receivables according to major regions, sector and remaining maturities**

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Credit Risk."

**Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions**

On the basis of geographical regions, the receivables from the Bank consist of domestic receivables.

On sectoral basis, the amount of the Bank's impaired loans and related provisions is included in footnotes under Section Four, Note II. "Information of major sectors or type of counterparties" explanations credit risk explanations .

The Bank has no written off receivables is as of 31 December 2019 (31 December 2018: TL 146.730).

**Aging analysis for overdue receivables**

The aging analysis of the receivables past due is included in footnotes under Section Four, Note II. "Explanations related to credit risk".

**Credit risk mitigation**

**Qualitative disclosure on credit risk mitigation techniques**

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial guarantees are assessed on a daily basis at the Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk mitigation (continued)**

**Qualitative disclosure on credit risk mitigation techniques (continued)**

The value of the real estates is determined by the valuation institutions authorized by the Capital Markets Board.

The main collaterals that the Bank may use within the scope of credit risk mitigation techniques; financial collaterals, guarantees and mortgages. At 31 December 2019, financial collaterals, guarantees and mortgages were used as the credit risk mitigation technique in the calculation of the amount subject to credit risk.

**Credit risk mitigation techniques - Standard approach**

Current Period		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	32.969.556	1.689.397	1.572.183	190.722	146.979	-	-
2	Debt securities	6.654.865	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>39.624.421</b>	<b>1.689.397</b>	<b>1.572.183</b>	<b>190.722</b>	<b>146.979</b>	-	-
4	Of which defaulted	1.102.874	-	-	-	-	-	-

Prior Period		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	30.078.742	1.406.836	1.167.285	236.730	188.947	-	-
2	Debt securities	5.481.225	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>35.559.967</b>	<b>1.406.836</b>	<b>1.167.285</b>	<b>236.730</b>	<b>188.947</b>	-	-
4	Of which defaulted	592.374	-	-	-	-	-	-

**Credit risk under standard approach**

**Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk**

The related disclosures are included in footnotes under Section Four, Note II "Explanations related to credit risk".

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standard approach (continued)**

**Credit risk exposure and credit risk mitigation effects**

Curent Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and 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	Risk weighted amount	Risk weighted amount density
1 Exposures to sovereigns and their central banks	7.322.605	215.340	7.469.584	43.068	2.271.937	30%
2 Exposures to regional and local governments	-	-	-	-	-	-
3 Exposures to administrative bodies and noncommercial entities	1	5.638	1	1.127	1.128	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and securities firms	1.965.833	636.821	1.965.833	35.545	1.304.395	65%
7 Exposures to corporates	28.216.484	26.713.153	28.051.757	3.470.604	30.970.151	98%
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential real estate property	-	-	-	-	-	-
10 Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11 Past due receivables	1.102.874	-	749.429	-	748.763	100%
12 Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16 Other exposures	144.322	118.186	144.308	96.781	241.064	100%
17 Equity Investments	1.158.049	-	1.158.049	-	2.007.298	173%
<b>18 Total</b>	<b>41.504.541</b>	<b>28.376.820</b>	<b>41.133.334</b>	<b>3.782.197</b>	<b>38.486.817</b>	<b>86%</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standard approach (continued)**

**Credit risk exposure and credit risk mitigation effects**

Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and 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	Risk weighted amount	Risk weighted amount density
1 Exposures to sovereigns and their central banks	6.049.722	186.912	6.237.115	37.382	1.628.438	26%
2 Exposures to regional and local governments	-	-	-	-	-	-
3 Exposures to administrative bodies and noncommercial entities	-	11.621	-	2.324	2.324	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and securities firms	2.555.018	588.697	2.556.573	30.971	1.666.491	64%
7 Exposures to corporates	25.886.247	21.417.472	25.684.976	2.353.560	27.805.076	99%
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential real estate property	-	-	-	-	-	-
10 Exposures secured by commercial real estate property	1.154.961	240.271	1.154.961	233.618	694.289	50%
11 Past due receivables	592.374	-	427.721	-	424.469	99%
12 Exposures in higher-risk categories	-	107.404	-	1.114	1.380	123%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16 Other exposures	136.922	194.845	136.156	98.615	234.747	100%
17 Equity Investments	828.289	-	828.289	-	1.535.128	185%
<b>18 Total</b>	<b>37.203.533</b>	<b>22.747.222</b>	<b>37.025.791</b>	<b>2.757.584</b>	<b>33.992.342</b>	<b>85%</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights**

Current Period										Total Risk Amount (After CCR and CVA)
Risk Groups/Risk Weight	0%	10%	50% Secured by Real Estate Property		75%	100%	150%	200%	250%	
1	Exposures to sovereigns and their central banks	5.240.714	-	-	-	2.271.938	-	-	-	7.512.652
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	1.128	-	-	-	1.128
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	732.551	221.885	1.046.942	-	-	-	2.001.378
7	Exposures to corporates	-	-	576.608	181.851	30.763.902	-	-	-	31.522.361
8	Retail exposures	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.651.791	-	-	-	-	1.651.791
10	Past due receivables	-	-	-	3.212	744.337	1.880	-	-	749.429
11	Exposures in higher-risk categories	-	-	-	294	-	77.360	-	-	77.654
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	591.883	-	566.166	-	1.158.049
16	Other exposures	26	-	-	-	241.063	-	-	-	241.089
17	<b>Total</b>	<b>5.240.740</b>	<b>-</b>	<b>1.309.159</b>	<b>2.059.033</b>	<b>35.661.193</b>	<b>79.240</b>	<b>-</b>	<b>566.166</b>	<b>44.915.531</b>

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights**

Prior Period										Total Risk Amount (After CCR and CVA)
Risk Groups/Risk Weight	0%	10%	50% Secured by Real Estate Property		75%	100%	150%	200%	Others	
1	Exposures to sovereigns and their central banks	4.646.059	-	-	-	-	1.628.438	-	-	6.274.497
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	2.324	-	-	2.324
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.040.436	177.408	-	1.369.700	-	-	2.587.544
7	Exposures to corporates	-	-	9.690	451.418	-	27.577.428	-	-	28.038.536
8	Retail exposures	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.388.579	-	-	-	-	1.388.579
10	Past due receivables	-	-	-	8.247	-	417.732	1.742	-	427.721
11	Exposures in higher-risk categories	-	-	-	292	-	-	822	-	1.114
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	357.063	-	471.226	828.289
16	Other exposures	23	-	-	-	-	234.748	-	-	234.771
17	<b>Total</b>	<b>4.646.082</b>	<b>-</b>	<b>1.050.126</b>	<b>2.025.944</b>	<b>-</b>	<b>31.587.433</b>	<b>2.564</b>	<b>471.226</b>	<b>39.783.375</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR)**

**Qualitative disclosures on CCR**

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

**Analysis of counterparty credit risk exposure by approach**

<b>Current Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory exposure at default</b>	<b>Exposure at default post Credit risk mitigation</b>	<b>Risk weighted amount</b>
1 Standardised Approach (for derivatives)	884.241	337.692	-	-	1.221.933	728.438
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.807	294.792
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>6 Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.023.230</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Analysis of counterparty credit risk exposure by approach (continued)**

<b>Prior Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory exposure at default</b>	<b>Exposure at default post Credit risk mitigation</b>	<b>Risk weighted amount</b>
1 Standardised Approach (for derivatives)	978.155	422.410	-	-	1.400.565	820.236
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	435.981	280.611
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>6 Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.100.847</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Analysis of counterparty credit risk exposure by approach (continued)**

**Credit valuation adjustment (CVA) for capital charge**

	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
<b>Current Period</b>		
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3xmultiplier)	-	-
2 (ii) Stressed VaR component (including the 3xmultiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	1.221.933	381.732
<b>4 Total subject to the CVA capital charge</b>	<b>1.221.933</b>	<b>381.732</b>
<b>Prior Period</b>		
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3xmultiplier)	-	-
2 (ii) Stressed VaR component (including the 3xmultiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	1.400.565	396.479
<b>4 Total subject to the CVA capital charge</b>	<b>1.400.565</b>	<b>396.479</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights**

Risk groups	Risk weight									Total credit exposure <sup>(1)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	-	-	-	-	-	2.696	-	-	-	2.696
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	4.914	-	-	-	4.914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	546.137	1.023.200	-	7.550	-	-	-	1.576.887
Exposures to corporates	-	-	-	-	-	386.470	-	-	-	386.470
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	773	-	-	-	773
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>546.137</b>	<b>1.023.200</b>	<b>-</b>	<b>402.403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.971.740</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights (continued)**

Prior Period	Risk weight									Total credit exposure <sup>(1)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other		
<b>Risk groups</b>										
Exposures to sovereigns and their central banks	-	-	-	-	-	154	-	-	-	154
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.099	-	-	-	1.099
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	290.818	1.006.089	-	57	-	-	-	1.296.964
Exposures to corporates	-	-	-	-	-	534.856	-	-	-	534.856
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	3.474	-	-	-	3.474
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>290.818</b>	<b>1.006.089</b>	-	<b>539.640</b>	-	-	-	<b>1.836.547</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Collaterals used for CCR**

Current Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	491.414	-
Cash - foreign currency	-	-	-	-	1.454.070	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.945.484</b>	-

Prior Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	163.550	-
Cash - foreign currency	-	-	-	-	773.267	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>936.817</b>	-

**Credit derivatives**

None. (31 December 2018: None)



**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Exposures to central counterparties**

Current Period	Exposure at Default (Post - CRM)	RWA
<b>Exposure to Qualified Central Counterparties (QCCPs) Total</b>	241.784	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	148.226	2.964
(i) OTC Derivatives	127.470	2.549
(ii) Exchange-traded Derivatives	5.324	106
(iii) Securities financing transactions	15.432	309
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	22.880	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	70.678	2.317
Unfunded default fund contributions	-	-
<b>Exposures to non- Central Counterparties (QCCPs) Total</b>	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

The Bank has no exposures to central counterparties as of 31.12.2018.

**Securitization exposures:**

The Parent Bank has no securitization transactions. (31 December 2018: None)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations on market risk**

**Qualitative information to be disclosed to public concerning market risk**

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels.

Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully.

Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed on a daily basis and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations.

The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management

**Market Risk-standard approach**

	Risk Weighted Amount (RWA)	
	Current Period	Prior Period
<b>Outright products</b>	-	-
1 Interest rate risk (general and specific)	245.825	210.413
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	331.163	129.475
4 Commodity risk	-	-
<b>Options</b>	-	-
5 Simplified approach	-	-
6 Delta-plus method	162	-
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>577.150</b>	<b>339.888</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations on operational risk**

**Information to be disclosed to the public regarding operational risk**

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2016	31/12/2017	31/12/2018	Total/Positive BG year number	Ratio(%)	Total
<b>Gross Income</b>	758.586	1.028.394	1.512.177	1.099.719	15	164.958
<b>Value at Operational Risk (Total*12,5)</b>						<b>2.061.973</b>

	31/12/2015	31/12/2016	31/12/2017	Total/Positive BG year number	Ratio(%)	Total
<b>Gross Income</b>	675.871	758.586	1.028.394	820.950	15	123.143
<b>Value at Operational Risk (Total*12,5)</b>						<b>1.539.288</b>

**Disclosures on interest rate risk resulting from banking book**

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

**The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.**

<b>Current Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x basis point)</b>	<b>Revenue/Loss</b>	<b>Revenue/Shareholders' Equity - Loss/ Shareholders' Equity</b>
1 TL	+500/(400) basis point	(157.080)/144.247	(2,08%)/1,91%
2 Euro	+200/(200) basis point	57.159/(4.926)	0,76%/(0,07%)
3 US Dollar	+200/(200) basis point	(258.991)/276.863	(3,42%)/3,66%
<b>Total (for Negative Shocks)</b>		<b>416.184</b>	<b>5,50%</b>
<b>Total (for Positive Shocks)</b>		<b>(358.912)</b>	<b>(4,74%)</b>

<b>Prior Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x basis point)</b>	<b>Revenue/Loss</b>	<b>Revenue/Shareholders' Equity - Loss/ Shareholders' Equity</b>
1 TL	+500/(400) basis point	(127.184)/114.525	(2,10%)/1,89%
2 Euro	+200/(200) basis point	99.169/(35.554)	1,64%/(0,59%)
3 US Dollar	+200/(200) basis point	90.703/(123.367)	1,65%/(2,04%)
<b>Total (for Negative Shocks)</b>		<b>(44.397)</b>	<b>(0,73%)</b>
<b>Total (for Positive Shocks)</b>		<b>71.688</b>	<b>1,18%</b>

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and disclosures related to the assets**

**1.a Information on cash and balances with the Central Bank of Turkey:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Cash in TL/Foreign Currency	25	-	23	-
Balances with the Central Bank of Turkey	484	803.528	6.326	736.875
Other	-	-	-	-
<b>Total</b>	<b>509</b>	<b>803.528</b>	<b>6.349</b>	<b>736.875</b>

**1.b. Information related to the account of the Central Bank of Turkey:**

	<b>Current Period<sup>(1)</sup></b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Unrestricted demand deposits	484	7.461	6.326	6.602
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(2)</sup>	-	796.067	-	730.273
<b>Total</b>	<b>484</b>	<b>803.528</b>	<b>6.326</b>	<b>736.875</b>

<sup>(1)</sup> Provision for expected credit loss amounting to TL 429 is allocated in "Balances with the Central Bank of Turkey". (31 December 2018: TL 243)

<sup>(2)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. Interest rate for the required reserves in Turkish Lira is paid since 21 September 2018.

On 20 August, 2019 Central Bank of the Republic of Turkey changed the required reserves and TL reserve requirement ratio, excluding loans granted to banks with loans indexed to foreign banks, TL denominated cash on standard loans and close monitoring loans have been associated with annual growth rates of the total. Accordingly, TL required reserve ratios have been reduced for the banks whose loan growth is between 10 and 20 percent, while the reserve requirement ratios for other banks have not been changed.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 September 2019 are presented in table below:

<b>Reserve Rates for Turkish Lira Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Until 1 year maturity (1 year include)	7
1-3 year maturity (3 year include)	3,5
More than 3 year maturity	1
<b>Original Maturity</b>	<b>Reserve Ratio If the fund borrowed Before 28.08.2015</b>
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. Explanations and disclosures related to the assets (continued)**

**2. Information on financial assets at fair value through profit and loss:**

**2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:**

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2018: None).

**2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:**

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2018: None).

**2.c Positive differences table related to derivative financial assets :**

Held for Trading Financial Derivative Instruments <sup>(1)</sup>	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	44.124	163	151.345	1.008
Swap Transactions	609.108	231.423	604.804	161.353
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>653.232</b>	<b>241.182</b>	<b>756.149</b>	<b>222.007</b>

<sup>(1)</sup> Derivative Financial Assets for Hedging Purposes amounting to TL 67.884 are presented in the "Derivative Financial Assets" account in accordance with the financial statement format with effective date of 1 January 2019 (31 December 2018 : None).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 245 million as of 31 December 2019 is TL 514.980 and the average rates are between 2020 and 2023.

**2.d Loans at Fair Value Through Profit or Loss:**

Net Book Value	Current Period	Prior Period
Loans at Fair Value Through Profit or Loss	263.097	290.660

As explained in Section 5 Note I.16, it includes the loan extended to the special purpose company . The related loan is monitored as loans whose fair value through profit or loss within the scope of TFRS 9. As of 31 December 2019, the study results of an independent valuation company are based on in determining the fair value.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. Explanations and disclosures related to the assets (continued)**

**3. Information on banks and foreign banks account**

**3.a Information on banks:**

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	288	18.355	20.650	567.465
Foreign	-	59.489	-	35.639
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>288</b>	<b>77.844</b>	<b>20.650</b>	<b>603.104</b>

<sup>(1)</sup> Provision for expected credit loss amounting to TL 34 is allocated in "Banks" (31 Decemeber 2018 : TL 6).

**3.b Information on foreign banks**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.779	1.597	-	-
USA and Canada	50.431	32.303	-	-
OECD Countries <sup>(1)</sup>	7.279	1.739	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>59.489</b>	<b>35.639</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries other than European Union countries, USA and Canada.

**4. Information on financial assets at fair value through other comprehensive income**

**4.a.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	287.144	542.673	41.531	-
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>287.144</b>	<b>542.673</b>	<b>41.531</b>	<b>-</b>

**4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:**

As of 31 December 2019, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.827.696.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**4. Information on financial assets at fair value through other comprehensive income (continued)**

**4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or  
blockage: (continued)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	749.163	1.078.533	634.489	819.159
Other	-	-	-	-
<b>Total</b>	<b>749.163</b>	<b>1.078.533</b>	<b>634.489</b>	<b>819.159</b>

**4.b Major types of financial assets at fair value through other comprehensive income:**

Financial assets at fair value through other comprehensive income comprised of government bonds 48,06%, Eurobonds 46,16% and shares and other securities 5,78%. (31 December 2018 : Government bonds 59,26%, Eurobonds 34,38%, shares and other securities 6,36%)

**4.c Information on financial assets at fair value through other comprehensive income:**

	Current Period	Prior Period
Debt securities	4.107.611	3.503.459
Quoted on a stock exchange	2.155.330	2.252.288
Unquoted	1.952.281	1.251.171
Share certificates	104.490	68.013
Quoted on a stock exchange	30.556	11.244
Unquoted	73.934	56.769
Impairment provision(-)	47.938	182.695
<b>Total</b>	<b>4.164.163</b>	<b>3.388.777</b>

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 59.007 (31 December 2018 : TL 51.875).

**5. Explanation on loans**

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	251.238	-	102.776	-
Corporate shareholders	251.238	-	102.776	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	740	-	662	-
<b>Total</b>	<b>251.978</b>	<b>-</b>	<b>103.438</b>	<b>-</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:**

**5.b.1 Loans measured at Fair Value through Profit/Loss**

Current Period	Net Book Value
Loans Measured at Fair Value through Profit/Loss <sup>(1)</sup>	263.097

<sup>(1)</sup>Include the loan granted to the special purpose entity as detailed in Section Five Note 16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

**5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans**

Current Period <sup>(1)</sup>	Loans Under Close Monitoring			
	Standard Loans	Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.100.440	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.575.650	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>26.862.157</b>	<b>803.006</b>	<b>1.696.477</b>	<b>830.780</b>

<sup>(1)</sup> According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.660.356 shown under "Other", due to the nature of "Investment" shown under the category "other" in the above footnote.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans: (continued)**

**5.b.2 Information on Standard Qualified and Close Monitoring loans and restructured Close Monitoring loans (continued):**

Prior Period <sup>(1)</sup>	Loans Under Close Monitoring			
	Standard Loans	Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	24.556.445	1.716.827	219.817	716.255
Working Capital loans	2.761.098	326.005	-	716.255
Export loans	443.697	-	66.900	-
Import loans	-	-	-	-
Loans given to financial sector	2.986.797	-	-	-
Consumer loans	662	-	-	-
Credit cards	-	-	-	-
Other	18.364.191	1.390.822	152.917	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>24.556.445</b>	<b>1.716.827</b>	<b>219.817</b>	<b>716.255</b>

<sup>(1)</sup>According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.168.405 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "Other" in the above footnote.

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	172.668	-	134.209	-
Significant Increase in Credit Risk	-	350.807	-	211.140

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.c Loans according to their maturity structure:**

Current Period <sup>(*)</sup>	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	3.688.889	69.185	78.028
Non-specialized loans	3.688.889	69.185	78.028
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	23.173.268	733.821	2.449.229
Non-specialized loans	23.173.268	733.821	2.449.229
Specialized loans	-	-	-
Other receivables	-	-	-

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.

Prior Period <sup>(*)</sup>	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	1.207.047	324.260	66.900
Non-specialized loans	1.207.047	324.260	66.900
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	23.349.398	1.683.227	869.172
Non-specialized loans	23.349.398	1.392.567	869.172
Specialized loans	-	-	-
Other receivables	-	-	-

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

<b>Current Period</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	76	664	740
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	76	664	740
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>76</b>	<b>664</b>	<b>740</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

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

<b>Prior Period</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	65	597	662
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	65	597	662
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>65</b>	<b>597</b>	<b>662</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.e Information on commercial loans with instalments and corporate credit cards:**

The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2018: None).

**5.f Loans according to borrowers:**

	Current Period	Prior Period
Public	942.805	584.752
Private	29.249.615	26.915.252
<b>Total</b>	<b>30.192.420</b>	<b>27.500.004</b>

<sup>(1)</sup>Includes fair value through profit or loss loans.

**5.g Domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	30.080.280	27.400.306
Foreign loans	112.140	99.698
<b>Total</b>	<b>30.192.420</b>	<b>27.500.004</b>

<sup>(1)</sup>Includes fair value through profit or loss loans.

**5.h Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	545.560	437.232
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>545.560</b>	<b>437.232</b>

**5.i Specific provisions provided against loans or default (Stage 3) provisions:**

	Current Period	Prior Period
Loans and receivables with limited collectability	184.323	12.730
Loans and receivables with doubtful collectability	120.078	104.433
Uncollectible loans and receivables	49.044	47.490
<b>Total</b>	<b>353.445</b>	<b>164.653</b>

**5.j Information on non-performing loans (net):**

**5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period</b>			
Gross amounts before provisions	-	592.614	37.567
Restructured loans	-	592.614	37.567
<b>Prior Period</b>			
Gross amounts before provisions	1.936	-	39.951
Restructured loans	1.936	-	39.951

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.j Information on non-performing loans (net) (continued)**

**5.j.2 Movement of non-performing loans:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period</b>			
<b>Prior period end balance</b>	<b>22.719</b>	<b>522.165</b>	<b>47.490</b>
Additions (+)	459.570	46.845	9.397
Transfers from other categories of non-performing loans (+)	-	22.779	8.215
Transfers to other categories of non-performing loans (-)	22.779	8.215	-
Collections (-)	1.640	68.616	14.261
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
<b>Current period end balance</b>	<b>457.905</b>	<b>594.045</b>	<b>50.924</b>
Provision (-)	184.323	120.078	49.044
<b>Net Balances on Balance Sheet</b>	<b>273.582</b>	<b>473.967</b>	<b>1.880</b>

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Prior Period</b>			
<b>Prior period end balance</b>	<b>985</b>	<b>4.894</b>	<b>43.643</b>
Additions (+)	490.340	-	146.741
Transfers from other categories of non-performing loans (+)	-	469.603	4.894
Transfers to other categories of non-performing loans (-)	469.603	4.894	-
Collections (-)	319	7.637	1.058
Write-offs (-) <sup>(1)</sup>	-	-	146.730
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	1.316	60.199	-
<b>Current period end balance</b>	<b>22.719</b>	<b>522.165</b>	<b>47.490</b>
Provision (-)	12.730	104.433	47.490
<b>Net Balances on Balance Sheet</b>	<b>9.989</b>	<b>417.732</b>	<b>-</b>

<sup>(1)</sup>The shares that OTAŞ owns and which constitute 55% of Türk Telekom's issued capital are acquired by a company that is established or will be established for private purposes by creditors within the scope of restructuring of loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom). The portion of OTAŞ current exposure exceeding Türk Telekom's share value has written off. This amount which is written according to the Tank ownership rate USD 28 million (TL 146.730 thousands).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.3 Information on foreign currency non-performing loans and other receivables:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period</b>			
Period End Balance	10.306	592.614	34.215
Provision (-)	3.223	118.878	32.335
<b>Net Balance on Balance Sheet</b>	<b>7.083</b>	<b>473.736</b>	<b>1.880</b>
<b>Current Period</b>			
Period End Balance	2.098	522.165	32.126
Provision (-)	356	104.433	32.126
<b>Net Balance on Balance Sheet</b>	<b>1.742</b>	<b>417.732</b>	<b>-</b>

**5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	457.905	594.045	50.924
Provision Amount (-)	184.323	120.078	49.044
Loans to Real Persons and Legal Entities (Net)	273.582	473.967	1.880
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

	III. Group Loans and Other Receivables With Limited Collectability	IV. Group Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	22.719	522.165	47.490
Provision Amount (-)	12.730	104.433	47.490
Loans to Real Persons and Legal Entities (Net)	9.989	417.732	-
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanation on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:**

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>	<b>7</b>	<b>62.652</b>	<b>75</b>
Interest Accruals and Rediscount with Valuation Differences	7.728	90.769	83
Provision amount (-)	7.721	28.117	8
<b>Prior Period (Net)</b>	<b>1.089</b>	<b>48.159</b>	<b>-</b>
Interest Accruals and Rediscount with Valuation Differences	1.316	60.199	-
Provision amount (-)	227	12.040	-

**5.k Main principles of liquidating non-performing loans and receivables:**

In case of existence of the collateral elements stated in Article 13 of the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables to be set aside for these, these elements are liquidated as soon as possible as a result of both administrative and legal initiatives and liquidation of the receivables is ensured.

In the absence of collateral, the debtor is provided with an insolvency certificate, but in various periods, intense intelligence is made and the legal asset is applied to determine the acquired assets.

Legal procedures followed before and after; on the financial information of the company when the creditor deemed able to live in the investigation that will be made by the Bank and if it contributed to the economy in relation to firms that dominate considers that contributed to the production, efforts are made to the liquidation of receivables agreement.

**5.l Explanations about the write-off policies from the assets:**

If there is no collateral against loans or uncollectible, and receivables amount of tax payable for legal proceedings to be held, duties, fees and costs compared to smaller loans written off receivables concerned with the demand and the General Directorate of the approval of the Monitoring Department.

However, if the part can not be collected to take after performing all kinds of legal proceedings if there is a guarantee in return will go pledge open the document and the way deletion of assets in the remaining amount by receiving debt forgiveness is followed.

**6. Information on financial assets measured at amortized cost**

**6.a The information was subjected to repurchase agreement and given as collateral/blocked amount of investments:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	737.176	26.554	39.757	46.078
Subject to Repurchase Agreements	330.755	100.588	-	248.394
<b>Total</b>	<b>1.067.931</b>	<b>127.142</b>	<b>39.757</b>	<b>294.472</b>



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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**6. Information on financial assets measured at amortized cost (continued)**

**6.b Information on government debt measured at amortized cost:**

	Current Period	Prior Period
Government Bonds	2.585.160	2.154.941
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**6.c Information on financial investments measured at amortized cost:**

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	2.285.894	1.735.522
Not Quoted	299.266	419.419
<b>Impairment provision (-)</b>	-	-
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**6.d Movement of financial assets at amortized costs within the year :**

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>2.154.941</b>	<b>1.532.047</b>
Foreign Currency Differences on Monetary Assets	58.982	51.793
Purchases During The Period	433.812	227.528
Disposals Through Sales And Redemptions	195.251	-
Impairment Provision (-)	-	-
Interest Income Accruals	132.676	343.573
<b>Balance at End of Period</b>	<b>2.585.160</b>	<b>2.154.941</b>

Expected credit loss amounting to TL 3.360 is allocated in "Financial asset measured at amortized cost" (31 Decemeber 2018 : TL 1.628)

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**7. Information on associates (net)**

**7.a Information on associates:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 İş Faktoring A.Ş. (İş Factoring)	Istanbul/Turkey	21,75	100,00
2 İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	60,92
3 İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67
4 Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5 Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

	Total Assets	Total Fixed Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current	Prior	Fair Value
						Period Profit/Loss	Period Profit/Loss	
1 İş Faktoring	3.265.258	300.390	1.328	463.111	-	(23.452)	147.016	78.535
2 İş Finansal	9.088.358	1.273.725	12.417	943.836	-	84.106	197.536	785.806
3 İş Girişim	265.801	261.774	1.715	9.276	1.126	1.736	3.211	48.649
4 Terme <sup>(1)</sup>	22.515	5.230	1.554	-	-	(35)	(30)	-
5 Ege Tarım	15.242	14.161	8.130	-	-	2.459	1.730	-

<sup>(1)</sup> Issued as of 30.09.2019. The previous period's profit/loss amount is given as of 30.09.2018.

**7.b Movements of associates subject to unconsolidation:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1.017.509</b>	<b>308.497</b>
Movements During the Period	(103.463)	709.012
Purchases	-	5.426
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/decrease	(103.463)	703.586
Provision for Impairment	-	-
<b>Balance at the End of the Period</b>	<b>914.046</b>	<b>1.017.509</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

**Information on associates sold in the current period**

In the current period the Bank has not disposed any associates.

**Information on associates purchased in the current period**

In current period the Bank has not purchased any associates.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**7. Information on associates (net) (continued)**

**7.c Sectoral information of associates subject to unconsolidation and the related carrying amounts in the legal books:**

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	78.535	46.010
Leasing Companies	785.806	945.385
Financial Service Companies	-	-
Other Financial Associates	48.649	25.058

**7.d Information on associates subject to consolidation quoted on stock market:**

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	834.455	970.443
Associates quoted on foreign stock exchanges	-	-

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

**8.a Information related to equity component of subsidiaries:**

Current Period <sup>(1)</sup>	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	300.000
Share Premium	-	593
Legal Reserves	3.681	8.683
Other Comprehensive Income according to TAS	19.994	-
Current and Prior Years' Profit/Loss	30.802	1.568
Leasehold Improvements (-)	404	-
Intangible Assets (-)	1.013	18
<b>Total Core Capital</b>	<b>116.560</b>	<b>310.826</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>116.560</b>	<b>310.826</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2019.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**8. Information on subsidiaries (net) (continued)**

**8.a Information related to equity component of subsidiaries (continued)**

Prior Period <sup>(1)</sup>	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.504	300.000
Share Premium	-	593
Legal Reserves	2.833	8.777
Other Comprehensive Income according to TAS	17.261	-
Current and Prior Years' Profit/Loss	18.249	(44.614)
Leasehold Improvements (-)	360	-
Intangible Assets (-)	714	28
<b>Total Core Capital</b>	<b>100.773</b>	<b>264.728</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>100.773</b>	<b>264.728</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2018.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article 519 of the Turkish Commercial Code numbered 6102. The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.

**8.b As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of consolidating and needed capital if they are subject to capital requirement:**

TSKB Gayrimenkul Değerleme A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since it is not a financial subsidiaries. Unconsolidated subsidiary of the Bank are not subject to minimum capital requirement.

**8.c Information on subsidiaries:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Turkey	99,99	99,99
2 Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul/Turkey	95,78	98,51
3 TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	88,67	89,49
4 TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,17	99,85

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**8. Information on subsidiaries (net) (continued)**

**8.c Information on subsidiaries (continued):**

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 TSKB GMD <sup>(2)</sup>	22.390	18.857	1.134	2.074	-	2.729	2.283	-
2 YF <sup>(1)</sup>	786.964	117.977	9.782	56.343	1.324	16.575	11.619	101.342
3 TSKB GYO <sup>(1)</sup>	575.937	310.844	296	1.715	-	46.186	(61.455)	346.953
4 TSKB SD	3.123	2.928	20	572	-	92	(1.407)	3.800

<sup>(1)</sup> The financial data of the consolidated subsidiaries are prepared in accordance with BRSA regulations.

<sup>(2)</sup> Issued as of 30.09.2019. The previous period's profit/loss amount is given as of 30.09.2018.

**8.d Movement schedule for subsidiaries subject to consolidation:**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>301.178</b>	<b>134.976</b>
Movements in the period	147.117	166.202
Purchases	-	164.494
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase/decrease	147.117	2.900
Provision for impairment (-)	-	(1.192)
<b>Balance at the end of the period</b>	<b>448.295</b>	<b>301.178</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**8. Information on subsidiaries (net) (continued)**

**8.d Movement schedule for subsidiaries (continued):**

**Subsidiaries disposed in the current period**

In the current period, the Bank has not disposed any subsidiaries.

**Subsidiaries purchased in the current period**

In current period the Bank has not purchased any subsidiaries.

Regarding the previous period subsidiary movements;

In the Board of Directors meeting of the Bank held on 27 August 2018, was decided 100% capital increase over the nominal value because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company and the Bank participated in the capital increase of TL 150 mio in November 2018.

In addition, in the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded in the stock market until a nominal share of TL 10 million within the next one year and the shares received under this program are accounted "Financial Assets at Fair Value Through Profit and Loss". After this participation, the share of the Bank increased from 70,84% to 88,67%.

The Bank pledged capital increase of TL 2,8 million for TSKB Sürdürülebilirlik Danışmanlığı A.Ş.'s cash capital increase of TL 3,5 million. The Bank participated by paying TL 2,4 million on 19 December 2018 and TL 0,4 million on 21 November 2019 on this commitment.

**8.e Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:**

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	448.295	301.178

**8.f Subsidiaries subject to consolidation quoted on stock market:**

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	346.953	211.144
Subsidiaries quoted on foreign stock exchanges	-	-

**9. Information on entities under common control**

The Bank has no entities under common control as of the reporting date (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**10. Information on finance lease receivables (net)**

**10.a Maturities of investments on finance leases:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	36.531	34.243	31.462	27.962
Between 1- 4 years	93.678	85.056	88.470	78.539
More than 4 years	10.759	9.575	31.170	27.428
<b>Total</b>	<b>140.968</b>	<b>128.874</b>	<b>151.102</b>	<b>133.929</b>

"Expected credit loss amounting to TL 22.564 (31 December 2018: TL 1.411) is allocated in "Lease Receivables".

**10.b The information on net investments in finance leases:**

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>140.968</b>	<b>151.102</b>
Unearned revenue from finance leases (-)	12.094	17.173
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>128.874</b>	<b>133.929</b>

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of Financial Leasing, Factoring and Financing Company Law No 6361. There are no restructuring or restrictions; which have material effect on financial statements.

**11. Explanation on derivative financial assets held for hedging purposes**

**11.a Positive differences on derivative financial instruments held for hedging purposes:**

Positive difference on regarding derivative financial instruments for hedging purposes is amounting to TL 67.884 (31 December 2018 :None)

As of 31 December 2019, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
<b>Interest Rate Swaps</b>	16.520.430	67.884	(16.545)	18.028.129	-	(172.258)
FC	16.520.430	67.884	(16.545)	18.028.129	-	(172.258)
TL	-	-	-	-	-	-

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**11. Explanation on derivative financial assets held for hedging purposes (continued)**

**11.a Positive differences on derivative financial instruments held for hedging purposes (continued)**

**11.a.1 Information on fair value hedge accounting**

Current Period			Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item	Type of Risk		Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	16.960	69.500	(13.577)	72.883
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(5.481)	4.597	-	(884)

<sup>(1)</sup>The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

Prior Period			Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item	Type of Risk		Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	127.988	-	(137.854)	(9.866)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	20.723	-	(21.390)	(667)

<sup>(1)</sup>The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**12. Explanations on tangible assets**

Since the third quarter of 2015, the Bank has changed its accounting policy and adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2018 and accounted as with the valuation amount recorded in the previous period.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
<b>Cost</b>						
Land and buildings	52.249	41	-	-	-	52.290
Assets held under finance leases	2.330	-	(2.330)	-	-	-
Vehicles	672	1.615	(537)	-	-	1.750
Right to use Securities-Real Estate	-	40.824	-	-	-	40.824
Assets held for resale	-	-	-	-	-	-
Other	25.101	4.710	(2.736)	-	-	27.075
<b>Total Cost</b>	<b>80.352</b>	<b>47.190</b>	<b>(5.603)</b>	<b>-</b>	<b>-</b>	<b>121.939</b>
<b>Accumulated depreciation</b>						
Land and buildings	(24)	(236)	-	-	-	(260)
Assets held under finance leases	(2.221)	-	208	-	2.013	-
Right to use Securities-Real Estate	(632)	(90)	537	-	-	(185)
Vehicles	-	(10.253)	-	-	-	(10.253)
Assets held for resale	-	-	-	-	-	-
Other	(16.829)	(3.781)	2.606	-	(2.013)	(20.017)
<b>Total accumulated depreciation</b>	<b>(19.706)</b>	<b>(14.360)</b>	<b>3.351</b>	<b>-</b>	<b>-</b>	<b>(30.715)</b>
<b>Impairment provision</b>						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>60.646</b>	<b>32.830</b>	<b>(2.252)</b>	<b>-</b>	<b>-</b>	<b>91.224</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**12. Explanations on tangible assets (net) (continued)**

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
<b>Cost</b>						
Land and buildings	40.370	2.719	-	9.160	-	52.249
Assets held under finance leases	2.359	-	(29)	-	-	2.330
Vehicles	672	-	-	-	-	672
Assets held for resale	-	-	-	-	-	-
Other	24.757	1.462	(1.118)	-	-	25.101
<b>Total Cost</b>	<b>68.158</b>	<b>4.181</b>	<b>(1.147)</b>	<b>9.160</b>	<b>-</b>	<b>80.352</b>
<b>Accumulated depreciation</b>						
Land and buildings	(211)	(20)	-	207	-	(24)
Assets held under finance leases	(2.218)	(32)	29	-	-	(2.221)
Vehicles	(498)	(134)	-	-	-	(632)
Assets held for resale	-	-	-	-	-	-
Other	(14.378)	(3.547)	1.096	-	-	(16.829)
<b>Total accumulated depreciation</b>	<b>(17.305)</b>	<b>(3.733)</b>	<b>1.125</b>	<b>207</b>	<b>-</b>	<b>(19.706)</b>
<b>Impairment provision</b>						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>50.853</b>	<b>448</b>	<b>(22)</b>	<b>9.367</b>	<b>-</b>	<b>60.646</b>

**13 Explanations on intangible assets**

**13.a Useful life or amortization rates used**

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

**13.b Amortization methods used:**

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**13 Explanations on intangible assets (continued)**

**13.c Cost and accumulated amortization at the beginning and end of the period:**

	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Current Period</b>				
Software	6.607	(3.482)	7.960	(4.931)
	Beginning of Prior Period		End of Prior Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Prior Period</b>				
Software	4.145	(2.505)	6.607	(3.482)

**13.d Movement of cost and accumulated amortization for the period:**

	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
<b>Current Period</b>				
Cost:				
Software	6.607	1.540	(187)	7.960
<b>Total Cost</b>	<b>6.607</b>	<b>1.540</b>	<b>(187)</b>	<b>7.960</b>
Accumulated amortization:				
Software	(3.482)	(1.636)	187	(4.931)
<b>Total Accumulated Amortization</b>	<b>(3.482)</b>	<b>(1.636)</b>	<b>187</b>	<b>(4.931)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>3.125</b>	<b>(96)</b>	<b>-</b>	<b>3.029</b>

	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
<b>Prior Period</b>				
Cost:				
Software	4.145	2.500	(38)	6.607
<b>Total Cost</b>	<b>4.145</b>	<b>2.500</b>	<b>(38)</b>	<b>6.607</b>
Accumulated amortization:				
Software	(2.505)	(978)	1	(3.482)
<b>Total Accumulated Amortization</b>	<b>(2.505)</b>	<b>(978)</b>	<b>1</b>	<b>(3.482)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.640</b>	<b>1.522</b>	<b>(37)</b>	<b>3.125</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**13 Explanations on intangible assets (continued)**

**13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:**

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (31 December 2018: None).

**13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:**

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 2018: None).

**13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:**

As at the reporting date, the Bank has no intangible assets acquired with government incentives (31 December 2018: None).

**13.h The book value of intangible assets that are pledged or restricted for use:**

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2018: None).

**13.i Amount of purchase commitments for intangible assets:**

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2018: None).

**13.j Information on revalued intangible assets according to their types:**

The Bank did not revalue its intangible assets as at the reporting date (31 December 2018: None).

**13.k Amount of total research and development expenses recorded in income statement within the period, if any:**

The Bank has no research and development costs expensed in the current period (31 December 2018: None).

**13.l Information on goodwill:**

As at the reporting date, the Bank has no goodwill (31 December 2018: None).

**13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2018: None).

**13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2018: None).

**14. Information on investment property**

The Bank has no investment property (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**15. Information on deferred tax assets**

**15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:**

The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Deferred tax asset:</b>	<b>Current Period</b>	<b>Prior Period</b>
Loan commissions accrual adjustment	22.138	23.032
Other provisions	129.195	79.316
Employee benefit provision	3.239	2.660
Marketable securities	2.028	-
Other	7.555	2.739
<b>Total Deferred Tax Asset</b>	<b>164.155</b>	<b>107.747</b>
<b>Deferred tax liability:</b>		
Marketable securities	-	(37.489)
Valuation of derivative instruments	(104.308)	(43.303)
Loan commissions accrual adjustment	(14.744)	(12.329)
Useful life difference of fixed assets	(772)	(728)
Other	(5.803)	(10.363)
<b>Total Deferred Tax Liability</b>	<b>(125.627)</b>	<b>(104.212)</b>
<b>Net Deferred Tax Asset</b>	<b>38.528</b>	<b>3.535</b>

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset/(Liability) - Net	3.535	39.366
Deferred Tax (Loss)/Gain	88.411	(102.002)
Deferred Tax that is Realized Under Shareholder's Equity <sup>(1)</sup>	(53.418)	66.171
<b>Deferred Tax Asset/(Liability) Net</b>	<b>38.528</b>	<b>3.535</b>

**15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:**

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2018: None).

**15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**16. Explanation on assets held for sale**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Net book value at beginning of period</b>	1	-
Cash Paid for Purchase	64.402	1
Expected Loss (-)	-	-
<b>Net book value at end of period</b>	<b>64.403</b>	<b>1</b>

Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş.. which was established within this context with 1,6172% stake and amounting to TL 64.403 . The Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2018: TL 1).

**17. Information about other assets**

**17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:**

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2018: None).

**II. Explanations and disclosures related to the liabilities**

**1. Information of maturity structure of deposits**

**1.a Maturity structure of deposits:**

The Bank is not authorized to accept deposits.

**1.b Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:**

The Bank is not authorized to accept deposits.

**1.c Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:**

The Bank is not authorized to accept deposits.

**1.d Saving deposits which are not under the guarantee of deposit insurance fund:**

The Bank is not authorized to accept deposits.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**2. Negative differences table related to derivative financial liabilities**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Derivative Financial Liabilities<sup>(1)</sup></b>				
Forward Transactions	41.025	142	87.610	6.307
Swap Transactions	235.908	181.127	354.659	111.839
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>276.933</b>	<b>190.865</b>	<b>442.269</b>	<b>177.792</b>

<sup>(1)</sup> Financial Liabilities for Hedging Purposes amounting to TL 16.545 (31 December 2018: TL 172.258) are shown in "Derivative Financial Liabilities" in accordance with the financial statement format with effective date of 1 January 2019.

**3. Information on banks and other financial institutions**

**3.a General Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	493.500	412.684	5.000	265.220
From Foreign Banks, Institutions and Funds	122.030	25.318.717	122.007	23.183.791
<b>Total</b>	<b>615.530</b>	<b>25.731.401</b>	<b>127.007</b>	<b>23.449.011</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	132.621	5.000	-
Medium and long-term	615.530	25.598.780	122.007	23.449.011
<b>Total</b>	<b>615.530</b>	<b>25.731.401</b>	<b>127.007</b>	<b>23.449.011</b>

**3.c Information on marketable securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	5.916.000	-	6.932.250
Cost	-	5.884.485	-	6.917.804
Book Value	-	6.023.450	-	6.949.189

As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Parent Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%. As of 16 January 2018, the Bank issued the debt instrument which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**3. Information on banks and other financial institutions(continued)**

**3.d Additional information about the concentrated areas of liabilities:**

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	369.379	216.152	41.539	137.458
Financial institutions and organizations	320.343	-	-	-
Other institutions and organizations	48.417	211.791	41.013	133.730
Real persons	619	4.361	526	3.728
From Foreign Transactions	5	446.020	4	-
Financial institutions and organizations	-	446.020	-	-
Other institutions and organizations	2	-	2	-
Real persons	3	-	2	-
<b>Total</b>	<b>369.384</b>	<b>662.172</b>	<b>41.543</b>	<b>137.458</b>

**4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total**

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2018: None).

**5. Informations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

The Bank has no financial lease payables (31 December 2018: None).

**5.b Explanations regarding operational leases:**

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 177 computers are subject to operational leasing. (31 December 2018: 2 head office buildings, 1 branch, 11 cars and 327 computers under operational leasing). In the current period, the Bank has TL 34.278 liabilities within the scope of TFRS 16 regarding operating lease transactions

**5.c Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:**

The Bank has no sale and lease back transactions as of the reporting date (31 December 2018: None).



**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**6. Negative differences on derivative financial instruments held for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	-	16.545	-	172.258
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>16.545</b>	<b>-</b>	<b>172.258</b>

<sup>(1)</sup> Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities" account in accordance with the financial statement format with effective date of 1 January 2019.

**7. Explanations on provisions**

**7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:**

The Bank has no foreign exchange losses on the foreign currency indexed loans. (31 December 2018: None).

**7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:**

The Bank's specific provisions provided for unindemnified non cash loans third stage expected loss provisions amounts to TL 838 (31 December 2018: TL 736).

The Bank has TL 23.857 of non-cash loans for the expected loss provision. (December 31,2018: TL 11.251)

**7.c Information on other provisions:**

**7.c.1 Provision for possible losses:**

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (31 December 2018: TL 220.000).

**7.c.2 Information on employee termination benefits and unused vacation accrual**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2019, employee termination benefits is amounting TL 11.864 reflected in financial statements (31 December 2018: TL 9.770). As of 31 December 2018, the Bank has provided a reserve for unused vacation amounting to TL 2.860 (31 December 2018: TL 2.319). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amount of TL 940 are consisted after 1 January 2019, are recognised under equity in accordance with revised TAS 19 standard (31 December 2018: TL 670 actuarial loss).

**Liabilities on pension rights**

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2019, the Bank has no obligations on pension rights (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**7. Information on provisions (continued)**

**7.c Information on other provisions (continued)**

**7.c.2 Information on employee termination benefits and unused vacation accrual (continued)**

**Liabilities for pension funds established in accordance with Social Security Institution**

None (31 December 2018: None).

**Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees**

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.

Accordingly, as of 31 December 2019 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.16, the accounting policies related with employee benefits.

**7.c.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:**

None

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**8. Explanations on taxes payable**

**8.a Explanations on current taxes payable:**

**8.a.1 Explanations on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Corporate Taxes and Deferred Taxes</b>				
Corporate tax payable	67.604	-	82.363	-
Deferred tax liability	-	-	-	-
<b>Total</b>	<b>67.604</b>	<b>-</b>	<b>82.363</b>	<b>-</b>

**8.a.2 Information on taxes payable:**

	Current Period	Prior Period
Corporate taxes payable	67.604	82.363
Taxation of securities	337	523
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	6.865	6.460
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	430	701
Other	2.054	1.686
<b>Total</b>	<b>77.290</b>	<b>91.733</b>

**8.a.3 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	45	38
Unemployment insurance-Employer	90	75
Other	-	-
<b>Total</b>	<b>135</b>	<b>113</b>

**8.b Information on deferred taxes liabilities:**

As at the reporting date, the Bank has no deferred tax liability (31 December 2018: None).

**9. Explanations on liabilities regarding assets held for sale**

None (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

As of 28 March 2017, the Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 1.830.045.

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Instruments Subject to Common Equity</b>				
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	1.830.045	-	1.549.774
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	1.830.045	-	1.549.774
<b>Total</b>	<b>-</b>	<b>1.830.045</b>	<b>-</b>	<b>1.549.774</b>

**11. Explanations on shareholders' equity**

**11.a Presentation of paid-in capital:**

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

**11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:**

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	4.500.000

**11.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase in the current period, and it was decided to transfer the 2018 profit to the reserves within the framework of the General Assembly Decision.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018 and was announced in the Turkish Trade Registry Gazette dated 7 June 2018 and No. 9605.

**11.d Information on share capital increases from capital reserves:**

None (31 December 2018: None).

**11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and disclosures related to the liabilities (continued)**

**11. Explanations on shareholders' equity (continued)**

**11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

The prior period income, profitability and liquidity of the Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses.

The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

**11.g Information on preferred shares:**

The Bank has no preferred shares (31 December 2018: None).

**11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	845.518	-	801.864	-
<b>Available for Sale Financial Assets</b>	67.613	(3.357)	(69.635)	(69.434)
Valuation Differences	46.899	(3.357)	(85.339)	(69.434)
Foreign Exchange Difference	20.714	-	15.704	-
<b>Total</b>	<b>913.131</b>	<b>(3.357)</b>	<b>732.229</b>	<b>(69.434)</b>

**11.i Informations on legal reserves:**

	Current Period	Prior Period
First legal reserve	303.070	184.354
Second legal reserve	-	85.670
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>303.070</b>	<b>270.024</b>

**11.j Informations on extraordinary reserves:**

	Current Period	Prior Period
Reserves appropriated by the General Assembly	833.645	170.106
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
<b>Total</b>	<b>833.645</b>	<b>170.106</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the off-balance sheet items**

**1. Explanation on off-balance sheet liabilities**

**1.a Types and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	21.404	97.040
Commitments for Stock Brokerage Purchase and Sales	5.638	25.941
Commitments for Letter of Credit	94.264	177.294
Capital commitments for subsidiaries and associates <sup>(1)</sup>	96.782	97.805
Other	222.589	193.329
<b>Total</b>	<b>440.677</b>	<b>591.409</b>

<sup>(1)</sup> The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment and capital participation commitment regarding the cash capital increase of TSKB Sürdürülebilirlik A.Ş.

**1.b Possible losses and commitments related to off-balance sheet items including items listed below:**

**1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:**

As of the reporting date, total letters of credit, surety and acceptances amount to TL 2.728.688 (31 December 2018: TL 1.590.814).

**1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:**

As of the reporting date, total letters of guarantee given by the Bank is TL 1.819.030 (31 December 2018: TL 1.582.995).

**1.c Total amount of non-cash loans:**

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	1.816.074	1.559.899
With maturity of one year or less than one year	189.405	92.374
With maturity of more than one year	1.626.669	1.467.525
Other non-cash loans	2.731.644	1.613.910
<b>Total</b>	<b>4.547.718</b>	<b>3.173.809</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the off-balance sheet items (continued)**

**1. Explanation on off-balance sheet liabilities (continued)**

**1.d Information on sectoral risk concentration of non cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	446.093	99	3.875.939	94	483.461	99	2.533.836	95
Mining	-	-	29.417	1	20.650	4	-	-
Manufacturing Industry	224.957	50	2.312.722	56	279.645	57	1.329.829	50
Electricity, Gas, Water	221.136	49	1.533.800	37	183.166	38	1.204.007	45
Construction	3.013	1	27.637	1	2.747	1	710	-
Services	1.630	-	193.406	5	1.739	-	151.316	5
Wholesale and Retail Trade	-	-	3.947	-	-	-	6.229	-
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	-	-	115.344	3	-	-	107.718	4
Transportation and	-	-	-	-	-	-	-	-
Communication	1.138	-	-	-	1.138	-	9.701	-
Financial Institutions	96	-	74.115	2	321	-	27.668	1
Real Asset and Leasing	-	-	-	-	-	-	-	-
Services	396	-	-	-	280	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>450.736</b>	<b>100</b>	<b>4.096.982</b>	<b>100</b>	<b>487.947</b>	<b>100</b>	<b>2.685.862</b>	<b>100</b>

**1.e Information on non cash loans classified under Group I and Group II:**

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	440.863	4.083.632	478.129	2.676.264	6.547	13.350	6.854	9.598
Letters of Guarantee <sup>(1)</sup>	440.863	1.368.294	478.129	1.095.048	6.547	-	6.854	-
Bank Acceptances	-	190.447	-	-	-	-	-	-
Letters of Credit	-	2.524.891	-	1.581.216	-	13.350	-	9.598
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on	-	-	-	-	-	-	-	-
Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

<sup>(1)</sup> The letter of guarantee followed in the stage 3 is amounting to TL 3.326.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the off-balance sheet items (continued)**

**2. Explanation related to derivative financial instruments**

As of 31 December 2019, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	1.359.615	1.355.680	523.843	2.618.503	444.061	443.961	-	-	-
US Dollar	1.067.693	1.068.050	12.393.207	7.923.738	259.855	259.855	-	-	16.520.430
Euro	268.272	268.400	3.282.915	5.217.682	184.034	184.034	-	-	-
Other	-	-	147.015	157.687	-	-	-	-	-
<b>Total</b>	<b>2.695.580</b>	<b>2.692.130</b>	<b>16.346.980</b>	<b>15.917.610</b>	<b>887.950</b>	<b>887.850</b>	<b>-</b>	<b>-</b>	<b>16.520.430</b>

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	974.149	845.785	827.263	3.432.783	1.281.990	1.281.990	-	-	-
US Dollar	136.897	321.265	10.777.833	6.640.106	1.204.750	1.204.755	-	-	18.028.129
Euro	827.414	695.439	3.890.834	5.231.512	147.514	147.509	-	-	-
Other	-	-	166.575	155.096	-	-	-	13.401	-
<b>Total</b>	<b>1.938.460</b>	<b>1.862.489</b>	<b>15.662.505</b>	<b>15.459.497</b>	<b>2.634.254</b>	<b>2.634.254</b>	<b>-</b>	<b>13.401</b>	<b>18.028.129</b>

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	663.399	286.807	13.567.336	658.746	394.627	14.409.996
Interest Rate Swap Transactions	177.133	130.228	18.697.254	107.411	71.871	16.712.006
Forward Transactions	44.287	41.167	5.387.710	152.353	93.917	3.800.949
Option Transactions	9.596	9.596	1.775.800	59.646	59.646	5.268.508
Other	-	-	-	-	-	13.401
<b>Total</b>	<b>894.415</b>	<b>467.798</b>	<b>39.428.100</b>	<b>978.156</b>	<b>620.061</b>	<b>40.204.860</b>

**Fair value hedge**

For the year ended 31 December 2019, the Bank has interest rate swaps for hedging purposes nominal amount of TL 16.520.430 (31 December 2018: TL 18.028.129)

**Hedging from the cash-flow risk**

As of 31 December 2019 there is no cash-flow hedging transactions (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the off-balance sheet items (continued)**

**3. Explanations on loan derivatives and risk exposures**

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2018: None).

**4. Explanations on contingent liabilities and assets**

There are 41 legal cases against the Bank which are amounting to TL 2.162 as of the reporting date (31 December 2018: TL 2.175 - 37 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge/penalized stamp duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Bank relying on this report.

The Bank assesses that the Bank's practice is in compliance with the legislation and there is no legal basis for the tax administration's suspended assessments, therefore, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir. Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Bank against the decision of the Court with respect to the Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Bank are accrued by administration depending on legal process and as of 31 July 2014 the Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the Bank in relation to the Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Bank was contrary to the principle of legality and the Bank's property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the Bank was obliged to pay for the related period is recognized as income in the prior period.

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

**5. Custodian and intermediary services:**

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the income statement**

**1. Information on interest income**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans <sup>(1)</sup>				
Short term loans	160.261	109.216	311.594	55.039
Medium and long term loans	357.131	1.525.484	330.572	1.377.651
Interest on non-performing loans	9.663	51.003	7	29.715
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>527.055</b>	<b>1.685.703</b>	<b>642.173</b>	<b>1.462.405</b>

<sup>(1)</sup> Commission income from loans have been included to the interest on loans.

**1.b Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey <sup>(1)</sup>	7.101	-	10.258	-
Domestic banks	25.667	20.828	25.825	8.318
Foreign banks	1.417	6.472	1.143	499
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>34.185</b>	<b>27.300</b>	<b>37.226</b>	<b>8.817</b>

<sup>(1)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	3	-	20	-
Financial Assets at Fair Value Through Other Comprehensive Income	370.527	71.792	296.002	62.774
Financial Assets Measured at Amortized Cost	199.903	26.895	386.565	15.635
<b>Total</b>	<b>570.433</b>	<b>98.687</b>	<b>682.587</b>	<b>78.409</b>

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2019.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**1. Information on interest income (continued)**

**1.d Information on interest income received from associates and subsidiaries:**

	Current Period	Prior Period
Interest received from associates and subsidiaries	18.588	26.082

**2. Information on interest expenses**

**2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	44.141	85.837	46.200	72.524
The Central Bank of Turkey	-	-	-	-
Domestic banks	33.978	7.010	34.673	6.760
Foreign banks	10.163	78.827	11.527	65.764
Branches and head office abroad	-	-	-	-
Other financial institutions	2.794	505.634	2.794	439.969
<b>Total <sup>(1)</sup></b>	<b>46.935</b>	<b>591.471</b>	<b>48.994</b>	<b>512.493</b>

<sup>(1)</sup> Commissions given to other financial institutions have been included to interest expense on funds borrowed.

**2.b Information on interest expense to associates and subsidiaries:**

The Bank has no interest expense to its associates and subsidiaries (31 December 2018: None).

**2.c Information on interest expense to securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued <sup>(1)</sup>	-	556.212	-	491.351

<sup>(1)</sup> Commissions given to issuance have been included to interest expense on funds borrowed.

**3. Information on dividend income**

	Current period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.035	3.098
Other	4.088	913
<b>Total</b>	<b>7.123</b>	<b>4.011</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**4. Information on net trading income (net)**

	Current Period	Prior Period
<b>Profit</b>	<b>3.354.753</b>	<b>5.547.271</b>
Gains on capital market operations	4.053	4.746
Gains on derivative financial instruments <sup>(1)</sup>	2.046.760	3.219.120
Foreign exchange gains	1.303.940	2.323.405
<b>Losses (-)</b>	<b>(3.800.413)</b>	<b>(5.814.502)</b>
Losses on capital market operations	(2.733)	(2.733)
Losses on derivative financial instruments <sup>(1)</sup>	(2.600.057)	(3.696.228)
Foreign exchange losses	(1.197.623)	(2.115.541)

<sup>(1)</sup> Foreign exchange gain from derivative transactions amounting to TL 744.128 is presented in "Gains on derivative financial instruments" (31 December 2018: TL 2.101.244), foreign exchange loss from derivative transactions amounting to TL (1.186.618) is presented in "Losses on derivative financial instruments" (31 December 2018: TL (2.552.274)).

**5. Explanation related to other operating income**

	Current Period	Prior Period
Provisions Released	27.199	91.077
Gains on Sale of Assets	1.025	73
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	106	-
From Property Sales	837	-
From Other Asset Sales	82	73
Other	3.388	3.008
<b>Total</b>	<b>31.612</b>	<b>94.158</b>

**6. Expected credit loss of the Bank**

	Current Period	Prior Period
Expected Credit Loss	416.769	492.813
12 Months Expected Credit Loss (Stage 1)	49.807	81.527
Significant Increase in Credit Risk (Stage 2)	143.607	131.972
Non-performing Loans (Stage 3)	223.355	279.314
Marketable Securities Impairment Expenses	42.113	8.380
Financial Assets at Fair Value Through Profit or Loss	34.196	773
Financial Assets at Fair Value Through Other Comprehensive Income	7.917	7.607
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value		
Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other	-	30.000
<b>Total</b>	<b>458.882</b>	<b>531.193</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**7. Information related to other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	1.155	787
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	14.360	3.733
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.636	978
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	24.604	31.458
Rent expenses	1.108	12.998
Maintenance expenses	836	677
Advertisement expenses	1.462	966
Other expenses	21.198	16.817
Loss on sale of assets	-	-
Other <sup>(1)</sup>	33.080	19.483
<b>Total</b>	<b>74.835</b>	<b>56.439</b>

<sup>(1)</sup> Tax and fee expenses excluding corporate tax amounting to TL 12.504; Includes allowance reserves expenses amounting to TL 541 (31.12.2018: tax and fee expenses excluding corporate tax: 5.413 TL; allowance expenses: 315 TL).

**8. Information on tax provision for continued and discontinued operations**

**8.a Explanation on current tax charge or benefit and deferred tax charge or benefit:**

The Bank's current tax charge for the period is TL 280.993 (31 December 2018: TL 146.335). Deferred tax income is TL 88.411 (31 December 2018: TL 102.002 deferred tax expense).

**8.b Explanation related to deferred tax benefit or charge on temporary differences:**

Deferred tax income calculated on temporary differences is TL 88.411 (31 December 2018: TL 102.002 deferred tax charge).

**8.c Explanation related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:**

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2018: TL None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**9. Explanations on net profit/loss from continued and discontinued operations**

As of 31 December 2019, the Bank's profit before tax has increased by 6,16% compared to the prior period.

**10. Information on net profit/loss**

**10.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Bank has generated TL 3.254.968 of interest income, TL 1.323.131 of interest expenses and TL 29.758 of net fee and commission income from banking operations (31 December 2018: TL 3.034.857 interest income, TL 1.281.465 interest expense, TL 19.001 net fee and commission income).

**10.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There has no change in the accounting estimates and accordingly effect on the financial statement items.

**10.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 December 2018: None).

**11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

None other than other operating expense explained in Note IV.7, exceeds 10% of the income statement.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. Explanations related to the statement of changes in shareholders' equity**

**1. Informations related to capital**

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 303.070 Extraordinary legal reserves is TL 833.645.

**2. Accumulated other comprehensive income or loss not reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

**3. Accumulated other comprehensive income or loss reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

**VI. Explanations related to the statement of cash flows**

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents**

In the current period, other income amounting to TL 4.708, consists of gain on sale of assets and non-interest income (31 December 2018: TL 6.135 gain on sale of assets, and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL (344.252) consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss. (31 December 2018: TL 713.499 consists of derivative financial transaction losses, taxes paid except loss employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss).

In the current period, net increase/decrease item in other assets amounting to TL 138.668 (31 December 2018: TL (387.971)), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL (631.340) (31 December 2018: (TL 651.961)), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 3.262 (31 December 2018: TL 45.114).

**2. Information about cash flows from acquisition of associates, subsidiaries and other investments**

In the current period, the Bank has invested TL 6.366 of movable and immovable property and TL 1.540 of intangible assets. In the current period, there is TL 400 investment on subsidiaries and affiliates.

In the prior period, the Bank has invested TL 4.181 of movable and immovable property and TL 2.500 of intangible assets. In the prior period, there is TL 152.380 investment on subsidiaries and affiliates.

**Information about disposal of associates, subsidiaries, and other investments**

In the current period, the Bank has generated a cash inflow of TL 3.277 on sale of movable fixed assets and properties (31 December 2018: TL 94).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. Explanations related to the statement of cash flows (continued)**

**3. Information on cash and cash equivalents at the end of the period**

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	23	20
Cash Equivalents	1.202.087	20.156
<b>Total</b>	<b>1.202.110</b>	<b>20.176</b>

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	25	23
Cash Equivalents	599.560	1.202.087
<b>Total</b>	<b>599.585</b>	<b>1.202.110</b>

**4. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons**

Reserves amounting to TL 796.067 (31 December 2018: TL 730.273) in Turkish Republic Central Bank represent Turkish Lira, foreign currency requirements of the Bank.

**5. Additional information related to financial position and liquidity of the Bank**

**5.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:**

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

**5.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:**

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.



**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations on the risk group of the Bank**

**1. Information on the volume of transactions related to the Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period**

**1.a Current Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	437.232	262	102.776	-	59.858	-
Balance at End of Period	545.560	27.938	118.394	-	39.529	-
Interest and Commission Income	17.827	761	7.453	-	3.578	-

**1.b Prior Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	257.470	262	-	-	76.931	-
Balance at End of Period	437.232	262	102.776	-	59.858	-
Interest and Commission Income <sup>(1)</sup>	25.211	871	76	-	5.823	-

<sup>(1)</sup> Includes 31 December 2018.

**1.c Information on deposit held by Bank's own risk group:**

The Bank is not authorized to accept deposits.

**2. Information on forward, option and other similar agreements made with Bank's own risk group**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Fair Value Through Profit or Loss Transactions</b>						
Beginning of the Period	364.732	444.536	-	-	131.758	-
End of the Period	-	364.732	-	-	-	131.758
Total Profit/Loss	(20.179)	(356.617)	-	-	(2.231)	(1.906)
<b>Hedging Risk Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

<sup>(1)</sup> Prior Period includes informations about 31 December 2018.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
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(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations on the risk group of the Bank( Continued)**

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to the key management personnel in the current period amount to TL 14.181 (31 December 2018: TL 11.961).

**VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:**

**1. Domestic and foreign branches and representative offices**

	Number	Number of Employees	Country of Incorporation	Total Asset	Statutory Share Capital
Foreign representations	-	-			
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

**2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly**

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to operations of the Bank**

**1.a Brief information related to ratings carried out by international rating firms:**

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	B+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB-
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	B
Support Note	4
Support Note Base	B+
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	B
Financial Capacity Note	b+

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 12 November 2019 and determined Bank's "Financial Capacity Note"

**MOODY'S**

Reference Financial Rating Note	caal
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Unsecured Debt-Foreign Currency</b>	
Long-term Maturity	B3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) B3

Information above represents updated information as of 18 June 2019.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF  
FINANCIAL POSITION) AS OF 31 DECEMBER 2019  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION SIX (Continued)**

**OTHER EXPLANATIONS (Continued)**

**I. Other explanations related to operations of the Bank (Continued)**

**1.b Informations on corporate governance rating of the Bank:**

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,58% (9,56 over 10) as of 18 October 2019. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,37 (Weight: 35%) over 10 respectively.

**II. Other explanations related to the events after the reporting date**

The Bank issued debt instrument in abroad which have nominal value of full USD 400 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 23 January 2020, was determined as 23 January 2025 and the coupon rate was 6%.

**SECTION SEVEN**

**AUDITORS' REPORT**

**I. Explanations on the auditors' report**

The unconsolidated financial statements for the period ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated 3 February 2020 is presented preceding the financial statements.

**II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Bank's operations.

**To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.**

**Audit of Consolidated Financial Statements**

**Qualified Opinion**

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) and its subsidiaries as at 31 December 2019 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "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 Agency and circulars and interpretations published by BRSA and Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

**Basis for Qualified Opinion**

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2019 include a free provision at an amount of TL 220.000 thousands, was provided in prior years respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2019 is understated by TL 220.000 thousands.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.



Key Audit Matter	How the matter is addressed in our audit
<p><b>Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9</b></p> <p>As presented in Section 3 disclosure IX the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements</li> <li>- There are complex and comprehensive requirements of TFRS 9</li> <li>- The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Group determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Group management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex</li> </ul>	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices</li> <li>- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model</li> <li>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements</li> <li>- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments</li> <li>- Auditing of TFRS 9 disclosures</li> </ul>

Pension Fund Obligations	
<p>Employees of the Parent Bank are members of "TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVII the "Explanations on Liabilities regarding employee benefits" to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Parent Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Parent Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial expert who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

<b>Derivative Financial Instruments</b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities held-for-trading disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

**Responsibilities of Management and Directors for the Consolidated Financial Statements**

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January - 31 December 2019 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

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

Yaşar Bivas, SMMM  
Partner  
3 February 2020  
İstanbul, Türkiye

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.  
FOR THE YEAR ENDED 31 DECEMBER 2019

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The consolidated financial report for year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and joint ventures, financial statements of which are consolidated within the framework of the reporting package, are as follows.

<b>Subsidiaries</b>	<b>Associates</b>
Yatırım Finansman Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Yatırım Varlık Kiralama A.Ş.	İş Faktoring A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, 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, and have been independently audited and presented as attached.

3 February 2020

**H. Ersin ÖZİNCE**  
Chairman of Board of  
Directors

**Suat İNCE**  
Member of Board of Directors  
and General Manager

**Ece BÖRÜ**  
Executive Vice President in  
Charge of Financial Reporting

**Tolga SERT**  
Head of  
Financial Control Department

**Gamze YALÇIN**  
Member of Audit  
Committee

**Mehmet ŞENCAN**  
Member of Audit  
Committee

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname/Title** : Tolga Sert/Head of Financial Control Department  
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**SECTION ONE**

**GENERAL INFORMATION**

**I. The Parent Bank's incorporation date, beginning status, changes in the existing status**

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Parent Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Parent Bank is "Development and Investment Bank". The Parent Bank does not have the license of "Accepting Deposit". Since the establishment date of the Parent Bank, there is no change in its "Development and Investment Bank" status.

**II. Explanations regarding the Parent Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Parent Bank**

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Parent Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Parent Bank are as follows:

<b>Current Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>
<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,92% of the shares belongs to İş Bank Group and 38,62% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Parent Bank**

<b>The Chairman and The Members of Board of Directors:</b>	
<b>Name Surname</b>	<b>Title <sup>(1)</sup></b>
H. Ersin Özince	Chairman of the Board of Directors
Mehmet Şencan	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
Suat İnce	Member of the Board of Directors and General Manager
Yavuz Canevi	Member of the Board of Directors
Mithat Rende	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ahmet Hakan Ünal	Member of the Board of Directors
Abdi Serdar Üstünsalih <sup>(3)</sup>	Member of the Board of Directors
Gamze Yalçın <sup>(2)</sup>	Member of the Board of Directors and Member of Audit Committee
Hüseyin Yalçın	Member of the Board of Directors
Can Yücel	Member of the Board of Directors
<b>General Manager and Vice Presidents</b>	
<b>Name Surname</b>	<b>Title/Area of Responsibility <sup>(4)</sup></b>
Suat İnce	General Manager
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations
Hasan Hepkaya	Executive Vice President - Corporate Banking Marketing, Corporate Banking Selling, Project Finance, Corporate Communication
Ece Börü	Executive Vice President - Loan Allocation, Loan Monitoring, Loan Analysis, Financial Control, Budget Planning
Hakan Aygen	Executive Vice President - Corporate Finance, Economic Research, Engineering and Technical Consultancy, Financial Consultancy, Business Development and Consultancy Management Office Departments
H. Yetkin Kesler	Executive Vice President - Pension and Assistance Funds, Human Resources, Enterprise Architecture and Process Management, Corporate Compliance
B. Gökhan Çanakpınar	Executive Vice President - Support Services, System & Network Support, Application Development
A. Ferit Eraslan	Executive Vice President - Head of Board of Internal Auditors, Internal Control, Risk Management

<sup>(1)</sup> The shares of above directors in The Bank are symbolic.

<sup>(2)</sup> The Member of the Board of Directors Mrs. Ebru Özsuca resigned from her duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 8 April 2019, it is decided that Mrs. Gamze Yalçın was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(3)</sup> The Member of the Board of Directors Mr. Mehmet Emin Özcan resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 June 2019, it is decided that Mr. Abdi Serdar Üstünsalih was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(4)</sup> Prepared according to the organization chart of the Bank dated 12 December 2019.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2019 in the General Assembly Meeting held on 28 March 2019.



**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**IV. Information about the persons and institutions that have qualified shares in the Parent Bank**

Explanation about the people and institutions that have qualified shares control the Parent Bank's capital directly or indirectly are described in General Information Section II.

**V. Summary on the Parent Bank's functions and areas of activity**

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Parent Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Parent Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Parent Bank also continues to offer solutions with respect to the newest needs and client demands.

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş. and Anavarza Otelcilik Anonim Şirketi are not consolidated since they are not in scope of financial institutions according to related Communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. and Yatırım Varlık Kiralama A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

**Yatırım Finansman Menkul Değerler A.Ş. :**

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods (Continued)**

**TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 88,67%. The company's headquarters is located at Istanbul/Turkey.

**Yatırım Varlık Kiralama A.Ş. :**

Yatırım Varlık Kiralama A.Ş. was established on 20 September 2019. Core business of the Company is to issue a lease certificate exclusively in accordance with the provisions of the Capital Market Law and the relevant Communiqué. The share of Yatırım Finansman Menkul Değerler A.Ş. is 100%.

**İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The Company's headquarters is located at Istanbul/Turkey.

**İş Faktoring A.Ş. :**

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

**İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The Company's headquarters is located at Istanbul/Turkey.

**VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

**VIII. Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures**

The Parent Bank Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the Parent Bank's corporate website.





**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AT 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

STATEMENT OF PROFIT OR LOSS		Section 5 Note IV	Audited Current Period 1 January 2019 - 31 December 2019	Audited Prior Period 1 January 2018 - 31 December 2018 <sup>(1)</sup>
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>3.313.001</b>	<b>3.110.109</b>
1.1	Interest on Loans		2.260.048	2.133.352
1.2	Interest Received from Reserve Deposits		7.101	10.258
1.3	Interest Received from Banks		60.321	78.878
1.4	Interest Received from Money Market Placements		290.429	107.098
1.5	Interest Received from Marketable Securities Portfolio		670.421	762.490
1.5.1	Fair Value Through Profit or Loss		1.327	1.514
1.5.2	Fair Value Through other Comprehensive Income		442.296	358.776
1.5.3	Measured at Amortized Cost		226.798	402.200
1.6	Finance Lease Income		6.406	6.060
1.7	Other Interest Income		18.275	11.973
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	(2)	<b>1.401.717</b>	<b>1.381.391</b>
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		669.318	581.108
2.3	Interest on Money Market Borrowings		157.818	307.521
2.4	Interest on Securities Issued		565.831	491.351
2.5	Leasing Interest Expense		1.143	-
2.6	Other Interest Expense		7.607	1.411
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1.911.284</b>	<b>1.728.718</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>65.103</b>	<b>51.398</b>
4.1	Fees and Commissions Received		78.154	63.929
4.1.1	Non-cash Loans		24.400	20.932
4.1.2	Other		53.754	42.997
4.2	Fees and Commissions Paid (-)		13.051	12.531
4.2.1	Non-cash Loans		2.916	2.876
4.2.2	Other		10.135	9.655
<b>V.</b>	<b>DIVIDEND INCOME</b>	(3)	<b>6.754</b>	<b>5.525</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	(4)	<b>(419.123)</b>	<b>(329.200)</b>
6.1	Securities Trading Gains/(Losses)		3.737	2.202
6.2	Derivative Financial Instruments Gains/Losses		(489.078)	(616.348)
6.3	Foreign Exchange Gains/Losses (Net)		66.218	284.946
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5)	<b>65.550</b>	<b>109.093</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.629.568</b>	<b>1.565.534</b>
<b>IX.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	(6)	<b>460.631</b>	<b>532.649</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	(6)	<b>-</b>	<b>-</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>156.391</b>	<b>131.246</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(7)	<b>99.017</b>	<b>78.698</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>913.529</b>	<b>822.941</b>
<b>XIV.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>19.944</b>	<b>90.705</b>
<b>XVI.</b>	<b>GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>933.473</b>	<b>913.646</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>197.332</b>	<b>250.383</b>
18.1	Provision for Current Income Taxes		286.837	147.709
18.2	Deferred Tax Income Effect (+)		193.394	250.149
18.3	Deferred Tax Expense Effect (-)		282.899	147.475
<b>XIX.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)</b>	(10)	<b>736.141</b>	<b>663.263</b>
<b>XX.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
20.1	Income on Assets Held for Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Income on Other Discontinued Operations		-	-
<b>XXI.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1	Loss from Assets Held for Sale		-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3	Loss from Other Discontinued Operations		-	-
<b>XXII.</b>	<b>PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSS (XIX+XXIV)</b>	(11)	<b>736.141</b>	<b>663.263</b>
25.1	Group's Profit/Loss		730.504	670.756
25.2	Minority Shares (-)		5.637	(7.493)
	Earning/(loss) per share		0,261	0,240

<sup>(1)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 1 January 2019 - 31 December 2019	Audited Prior Period 1 January 2018 - 31 December 2018
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>736.141</b>	<b>663.263</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>264.373</b>	<b>(64.978)</b>
<b>2.1</b>	<b>Not Reclassified Through Profit or Loss</b>	<b>52.617</b>	<b>52.250</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	49.105	47.172
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1.034)	(684)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	4.339	7.639
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	207	(1.877)
<b>2.2</b>	<b>Reclassified Through Profit or Loss</b>	<b>211.756</b>	<b>(117.228)</b>
2.2.1	Foreign Currency Translation Differences	5.010	7.857
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	243.694	(157.047)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	16.678	(2.431)
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(53.626)	34.393
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>1.000.514</b>	<b>598.285</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
<b>Prior Period - 31 December 2018</b>																	
<b>I. Prior Period End Balance</b>		<b>2.400.000</b>	<b>428</b>	-	<b>374</b>	<b>215.352</b>	<b>(30)</b>	<b>16.798</b>	<b>7.847</b>	<b>(39.404)</b>	<b>(13.879)</b>	<b>441.740</b>	<b>629.396</b>	-	<b>3.658.622</b>	<b>52.719</b>	<b>3.711.341</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	<b>23.101</b>	-	<b>(37.176)</b>	-	<b>(14.075)</b>	<b>(87)</b>	<b>(14.162)</b>
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	23.101	-	(37.176)	-	(14.075)	(87)	(14.162)
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.400.000</b>	<b>428</b>	-	<b>374</b>	<b>215.352</b>	<b>(30)</b>	<b>16.798</b>	<b>7.847</b>	<b>(39.404)</b>	<b>9.222</b>	<b>441.740</b>	<b>592.220</b>	-	<b>3.644.547</b>	<b>52.632</b>	<b>3.697.179</b>
<b>IV. Total Comprehensive Income</b>		-	-	-	-	<b>46.142</b>	<b>(536)</b>	<b>6.644</b>	<b>7.857</b>	<b>(122.654)</b>	<b>(2.431)</b>	-	-	<b>670.756</b>	<b>605.778</b>	<b>(7.493)</b>	<b>598.285</b>
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		<b>400.000</b>	-	-	-	-	-	-	-	-	-	-	<b>(400.000)</b>	-	-	-	-
<b>VII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	<b>88</b>	-	-	-	-	-	-	-	-	<b>851</b>	<b>3.695</b>	-	<b>4.634</b>	<b>(6.517)</b>	<b>(1.883)</b>
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>86.468</b>	<b>(195.973)</b>	-	<b>(109.505)</b>	-	<b>(109.505)</b>
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.468	(86.108)	-	360	-	360
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>516</b>	-	<b>374</b>	<b>261.494</b>	<b>(566)</b>	<b>23.442</b>	<b>15.704</b>	<b>(162.058)</b>	<b>6.791</b>	<b>529.059</b>	<b>(58)</b>	<b>670.756</b>	<b>4.145.454</b>	<b>38.622</b>	<b>4.184.076</b>

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translition Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss						Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
						1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)				
<b>Current Period - 31 December 2019</b>																		
<b>I. Prior Period End Balance</b>		<b>2.800.000</b>	<b>516</b>	-	<b>374</b>	<b>261.494</b>	<b>(566)</b>	<b>23.442</b>	<b>15.704</b>	<b>(162.058)</b>	<b>6.791</b>	<b>529.059</b>	<b>670.698</b>	-	<b>4.145.454</b>	<b>38.622</b>	<b>4.184.076</b>	
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.800.000</b>	<b>516</b>	-	<b>374</b>	<b>261.494</b>	<b>(566)</b>	<b>23.442</b>	<b>15.704</b>	<b>(162.058)</b>	<b>6.791</b>	<b>529.059</b>	<b>670.698</b>	-	<b>4.145.454</b>	<b>38.622</b>	<b>4.184.076</b>	
<b>IV. Total Comprehensive Income</b>		-	-	-	-	<b>49.105</b>	<b>(827)</b>	<b>4.339</b>	<b>5.010</b>	<b>190.068</b>	<b>16.678</b>	-	-	<b>730.504</b>	<b>994.877</b>	<b>5.637</b>	<b>1.000.514</b>	
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increase/Decrease by Other Changes</b>		-	<b>14</b>	-	-	-	-	-	-	-	-	<b>133</b>	<b>555</b>	-	<b>702</b>	<b>(6.169)</b>	<b>(5.467)</b>	
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>697.397</b>	<b>(697.531)</b>	-	<b>(134)</b>	-	<b>(134)</b>	
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	(134)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	697.397	(697.397)	-	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>530</b>	-	<b>374</b>	<b>310.599</b>	<b>(1.393)</b>	<b>27.781</b>	<b>20.714</b>	<b>28.010</b>	<b>23.469</b>	<b>1.226.589</b>	<b>(26.278)</b>	<b>730.504</b>	<b>5.140.899</b>	<b>38.090</b>	<b>5.178.989</b>	

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translition Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	<b>1.125.037</b>	<b>1.679.473</b>
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>2.971.773</b>	<b>2.537.294</b>
1.1.1 Interest Received	(1.250.464)	(1.342.871)
1.1.2 Interest Paid	6.754	5.525
1.1.3 Dividends Received	78.154	63.929
1.1.4 Fees and Commissions Received	80.871	78.663
1.1.5 Other Income	85.017	9.100
1.1.6 Collections from Previously Written off Loans	(182.369)	(155.153)
1.1.7 Payments to Personnel and Service Suppliers	(288.619)	(104.310)
1.1.8 Taxes Paid	(376.080)	587.296
1.1.9 Others	-	-
	<b>683.347</b>	<b>(1.723.950)</b>
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>(5.157)</b>	<b>(1.541)</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	-	1.204.032
1.2.3 Net (Increase) (Decrease) in Loans	310.064	(392.290)
1.2.4 Net (Increase) (Decrease) in Other Assets	120.049	-
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	(319.292)	(1.621.868)
1.2.8 Net (Increase) (Decrease) in Funds Borrowed	-	-
1.2.9 Net (Increase) (Decrease) in Matured Payable	577.683	(912.283)
1.2.10 Net (Increase) (Decrease) in Other Liabilities	-	-
	<b>1.808.384</b>	<b>(44.477)</b>
<b>I. Net Cash Provided by/(used in) Banking Operations</b>		
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(521.520)</b>	<b>(328.661)</b>
<b>II. Net Cash Provided by/(used in) Investing Activities</b>		
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries	(990)	(3.000)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries	(9.698)	(4.924)
2.3 Purchases of Property and Equipment	5.592	94
2.4 Disposals of Property and Equipment	(1.048.151)	(680.955)
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income	772.368	590.195
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income	(433.812)	(227.528)
2.7 Purchase of Financial Assets Measured at Amortized Cost	195.251	-
2.8 Sale of Financial Assets Measured at Amortized Cost	(2.080)	(2.543)
2.9 Others	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided by/(used in) Financing Activities</b>	<b>(1.897.241)</b>	<b>1.208.745</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued	108.662	1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(2.004.016)	-
3.3 Capital Increase	-	-
3.4 Dividends Paid	(134)	(109.865)
3.5 Payments for Leases	(1.753)	-
3.6 Other	-	20
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>4.354</b>	<b>45.970</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(606.023)</b>	<b>881.577</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>1.385.825</b>	<b>504.248</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>779.802</b>	<b>1.385.825</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018 <sup>(1)</sup>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME<sup>(2)</sup></b>		
1.1 CURRENT YEAR INCOME	894.227	909.263
1.2 TAXES AND DUTIES PAYABLE	192.582	248.337
1.2.1 Corporate Tax (Income tax)	280.993	146.335
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties <sup>(3)</sup>	(88.411)	102.002
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>701.645</b>	<b>660.926</b>
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	33.046
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>701.645</b>	<b>627.880</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	627.880
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</b>
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE<sup>(2)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,26	0,24
3.2 TO OWNERS OF ORDINARY SHARES (%)	25,06	23,60
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2019 yet, only profit available for distribution for the year 2019 is presented.

<sup>(2)</sup> A nominal value of 1 Kuruş figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kuruş.

<sup>(3)</sup> The current amount is deferred tax expense and the prior amount is deferred tax income.

<sup>(4)</sup> According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements is belong to the Parent Bank.

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

### SECTION THREE

#### ACCOUNTING POLICIES

##### I. Basis of presentation

###### I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The consolidated financial statements are prepared its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations and the amendments dated 1 February 2019 to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to announced to public dated 28 June 2012 and with No. 28337 "Communiqué" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements".

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2019 period of Group are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below. The format and content of the accompanying consolidated financial statements and footnotes have been prepared in accordance with the "Communiqué" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communiqué on Disclosures About Risk Management to be Announced to Public by Banks."

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

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34" Interim Financial reporting" except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### I.b Changes in accounting policies and disclosures

###### I.b.1 Major new and amended standards and interpretations

The Bank has started to apply "IFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. Other changes on standards of TAS and IFRS have no significant impact on financial position or performance of the Parent Bank.

###### I.b.2 IFRS 16 Leases

IFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply "IFRS 16 Leases" Standard starting from 1 January 2019. The Bank has applied IFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application IFRS 16 are stated below.

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### I. Basis of presentation (continued)

###### I.b.2 IFRS 16 Leases (continued)

###### Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes

- the amount of lease liabilities recognised,
- initial direct costs incurred,
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

###### Lease Liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include

- fixed payments (including in-substance fixed payments) less any lease incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be paid under residual value guarantees.
- the exercise price of a purchase option reasonably certain to be exercised by the Company/the Group and payments of penalties for terminating a lease,
- if the lease term reflects the Company/the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company/the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- The book value is increased to reflect the accretion of interest of lease liabilities
- The book value is reduced to reflect the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**I. Basis of presentation (continued)**

**I.c The valuation principles used in the preparation of the financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

**I.d The items which have different accounting policies applied in the preparation of the consolidated financial statements and their ratios to the total of the related items in the consolidated financial statements**

Different accounting policies are not applied in the preparation of consolidated financial statements.

**II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the the Group have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Group and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Group performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued. The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

TFRS 9 provides the option of deferring the adoption of TFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Parent Bank continues to apply the provisions of TAS 39 hedge accounting.

The Parent Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)**

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Group's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed. The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities:

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

**III. Explanations on associates and subsidiaries**

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section V.

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

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps and option agreements.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IV. Explanations on forward and option contracts and derivative instruments (continued)**

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transaction.

**V. Explanations on associates and subsidiaries**

The Parent Bank's financial subsidiaries' are reflected the consolidated financial statements according to the equity method in accordance with TAS 28 - Investment in Associates and Joint Ventures Related to the Turkish Accounting Standards. Unconsolidated and non financial subsidiaries and associates are presented in the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard with their cost values after the deduction of, if any, impairment losses.

**VI. Explanations on interest income and expenses**

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the IFRS 9 "Financial Instruments" standard by applying an accrual basis using the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on fees and commission income and expenses**

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

**VIII. Explanations on financial assets**

**Initial recognition of financial instruments**

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**Assessment of business model**

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intent of the management on an individual financial intermediary, so the condition is not a classification approach on the basis of a financial instrument but an evaluation by combining the financial assets. When the business model used for the management of financial assets is being evaluated, all evidence is taken into account. Such evidence includes the following:

- How the performance of financial assets held by the business model and business model is reported by the key executive personnel,
- Risks affecting the performance of the business model (financial assets held within the business model) and, in particular type of management,
- How the additional payments to the managers are determined (for example, whether additional payments are determined according to the fair value of the assets being managed or on the contractual cash flows collected).

Business model evaluation is not based on scenarios in which the operator is not expected to be at a reasonable level, such as the "worst case" or "pressure case" scenarios. The same business model does not require a change in the classification of other financial assets as long as the cash flows are realized differently from the expected future date when the business model is assessed, the error correction is made in the financial statements or all relevant information available at the time of the valuation of the business model is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how past cash flows have been taken into account along with other relevant information is also taken into account. The business models that comprise the bet are composed of three categories. These categories are as follows:

- Business model aimed to hold assets in order to collect contractual cash flows: This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Business model whose objective is to hold assets in order to collect contractual cash flows: The Parent Bank may hold financial assets in this business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Other Business Model: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**The contractual cash flows including solely principle and interest on principle**

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

**Measurement categories of financial assets and liabilities**

Financial assets are classified compliance with TFRS 9 in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

**a. Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

The Parent Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as "interest income" in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under "trading account income/losses" in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under "trading account income/losses".

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**Measurement categories of financial assets and liabilities (continued)**

**a. Financial assets at the fair value through profit or loss (continued)**

Syndicated loans extended to Ojer Telekomünikasyon A.Ş. (OTAŞ) in the previous periods were restructured. Within this scope, in order to form the collateral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Türk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yonetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September, 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 31 December 2019, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 34.196 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss".

Total assets amounting to TL 327.499 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports). The maturity of the loan is 1 year and the maturity can be extended.

The main objective of the lending banks is to transfer Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. 55% of LYY Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on 19 September 2019 for the sale of its shares. In this context, necessary studies related to sales and negotiations with potential investors will be initiated.

**b. 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 measured 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 income statement.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**Measurement categories of financial assets and liabilities (continued)**

**b. Financial Assets at Fair Value Through Other Comprehensive Income (continued):**

"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 income statement 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 Loss Reclassified Through Profit or Loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrecovable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**c. 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 income statement.

In the "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Parent Bank, there are Consumer Price Indexed (CPI) Bonds.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**Measurement categories of financial assets and liabilities (continued)**

**c. Financial Assets Measured at Amortized Cost (continued) :**

The Parent Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements. These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

**d. Loans**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the Parent Bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of ". All cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

**IX. Explanations on impairment of financial assets**

As of 1 January 2018, loss allowance for expected credit losses is recognised on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based on TFRS 9 and regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans". TFRS 9 impairment requirements are not eligible for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on impairment of financial assets (continued)**

**Calculation of expected credit losses**

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

Within the scope of TFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under TFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate/specilization)
- Product type
- Credit risk rating notes (ratings)
- Colleateral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

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

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

Financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on impairment of financial assets (continued)**

**Calculation of expected credit losses (Continued)**

These expected 12-month default probabilities are applied to an estimated default and are reduced by the original effective interest rate of the loan, multiplied by the loss in the expected default.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument.

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

**Debt instruments measured at fair value through other comprehensive income**

According to TFRS 9 the impairment requirements are applied for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

**Significant increase in credit risk**

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk). Credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on impairment of financial assets (continued)**

**Significant increase in credit risk (continued)**

If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in the parent bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

**X. Explanations on offsetting, derecognition and restructuring of financial instruments**

**a. Offsetting of financial instruments**

Financial assets and liabilities are offset when the Parent Bank has a legally enforceable right to set off, and when the Parent Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Parent Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

**b. Derecognition of financial instruments**

**Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**X. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)**

**Derecognition of financial assets without any change in contractual terms**

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

**Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

**c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

The Bank has fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in Section 3, Note VIII.

**d. Restructuring and refinancing of financial instruments**

The Parent Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Parent Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Restructured Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/ refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/ refinancing.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**X. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)**

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

**XI. Explanations on sales and repurchase agreements and lending of securities**

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Group are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

**XII. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups), and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumstances may extend the completion of the sale more than one year.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XII. Explanations on assets held for sale and discontinued operations (continued)**

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group). As of 31 December 2019, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I.16. A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

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

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

**XIV. Explanations on tangible assets**

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

As of the third quarter of 2015, the Group changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on tangible assets (continued)**

The positive difference between appraisal value and net book value of the property is accounted under shareholder' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

<b>Tangible Assets</b>	<b>Expected Useful Lives (Years)</b>	<b>Depreciation Rate (%)</b>
Cashvault	4-50	2-25
Vehicles	5	20
Buildings	50	2
Other Tangible Assets	1-50	2-100

**Investment Properties**

Investment properties are real estate held to earn rent income, gain in value or both. An investment property is recognized as an asset if it is probable that future economic benefits related to the property will be available to operate and the cost of the investment property can be reliably measured. The fair value model has been chosen for valuation of investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

**XV. Explanations on leasing transactions**

**The Group as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

**The Group as Lessee**

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

In accordance with TFRS 16, the lessee, at the effective date of the lease, measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use related to the same date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The interest expense on the lease liability and the depreciation expense on right of use are recorded separately.



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVI. Explanations on provisions and contingent liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Group discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Parent Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material. Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Group.

**Explanations on contingent assets**

Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Parent Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred.

**XVII. Explanations on liabilities regarding employee benefits**

Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal. The Group calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on liabilities regarding employee benefits (continued)**

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 and Law no 5510 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and law no 6645 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on liabilities regarding employee benefits (continued)**

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020. There is no need for technical or actual deficit to book provision as of 31 December 2019. In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

**XVIII. Explanations on taxation**

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 2018: 22%). In accordance with the Temporary Article 10 added to the Corporate Tax Law, Corporate Tax applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

The Parent Bank started calculating deferred tax for the expected credit losses for stage 1 and stage 2.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on taxation (continued)**

**Transfer pricing**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing Through Camouflage of Earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing". According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XIX. Additional explanations on borrowings**

The Parent Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed. The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value.

**XX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that the Parent Bank has no capital increase.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. The increase in paid-in capital was approved by the BRSA on 26 April 2018 and disclosed in the dated 7 June 2018 and numbered 9605 Turkish Trade Registry Gazette.

**XXI. Explanations on acceptances**

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

**XXII. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXIII. Explanations on segment reporting**

In accordance with its mission, the Parent Bank mainly operates in corporate and investment banking segments. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on segment reporting (continued)**

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	658.794	1.273.043	(20.553)	1.911.284
Net Fees and Commission Income	26.162	3.596	35.345	65.103
Other Income	13.780	-	78.468	92.248
Other Expense	(475.376)	(471.177)	(188.609)	(1.135.162)
Profit Before Tax	223.360	805.462	(95.349)	933.473
Tax Provision				(197.332)
<b>Net Profit</b>				<b>736.141</b>
Group's profit/loss				730.504
Minority share profit/loss				5.637
<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	30.810.345	8.959.572	2.009.759	41.779.676
Investment in Associates and Subsidiaries	-	-	473.335	473.335
<b>Total Assets</b>	<b>30.810.345</b>	<b>8.959.572</b>	<b>2.483.094</b>	<b>42.253.011</b>
Segment Liabilities	34.200.426	1.031.556	1.842.040	37.074.022
Shareholders' Equity	-	-	5.178.989	5.178.989
<b>Total Liabilities</b>	<b>34.200.426</b>	<b>1.031.556</b>	<b>7.021.029</b>	<b>42.253.011</b>
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	795.430	957.962	(24.674)	1.728.718
Net Fees and Commission Income	20.698	(1.697)	32.397	51.398
Other Income	-	-	205.323	205.323
Other Expense	(512.293)	(289.978)	(269.522)	(1.071.793)
Profit Before Tax	303.835	666.287	(56.476)	913.646
Tax Provision				(250.383)
<b>Net Profit</b>				<b>663.263</b>
Group's profit/loss				670.756
Minority share profit/loss				(7.493)
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	27.716.305	8.402.131	1.715.089	37.833.525
Investment in Associates and Subsidiaries	-	-	435.915	435.915
<b>Total Assets</b>	<b>27.716.305</b>	<b>8.402.131</b>	<b>2.151.004</b>	<b>38.269.440</b>
Segment Liabilities	31.320.591	933.391	1.831.382	34.085.364
Shareholders' Equity	-	-	4.184.076	4.184.076
<b>Total Liabilities</b>	<b>31.320.591</b>	<b>933.391</b>	<b>6.015.458</b>	<b>38.269.440</b>

**SECTION FOUR**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Explanations related to consolidated shareholders' equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019, the capital adequacy ratio of the Parent Bank has been calculated as 17,39% (31 December 2018: 15,99%).

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	530	516
Reserves	1.226.589	529.059
Other comprehensive income according to TAS	479.966	397.130
Profit	704.226	670.698
Current Period Profit	730.504	670.756
Prior Period Profit	(26.278)	(58)
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	38.090	38.622
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>5.249.775</b>	<b>4.436.399</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	70.786	252.323
Leasehold improvements on operational leases	2.606	3.985
Goodwill (net of related tax liability)	1.005	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	4.069	4.872
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	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	31.177
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
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	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to consolidated shareholders' equity (continued)**

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>78.466</b>	<b>292.357</b>
<b>Core Equity Tier I Capital</b>	<b>5.171.309</b>	<b>4.144.042</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred stock not included in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</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>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core 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 Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>5.171.309</b>	<b>4.144.042</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	1.774.800	1.540.500
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	504.412	361.452
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
<b>Tier II Capital Before Deductions</b>	<b>2.279.212</b>	<b>1.901.952</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to consolidated shareholders' equity (continued)**

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 Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2.279.212</b>	<b>1.901.952</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>7.450.521</b>	<b>6.045.994</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking 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>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, and financial 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 I capital, Additional Tier I capital, Tier II 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 I capital and Tier II capital of banking, and financial 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 I capital, Additional Tier I capital, Tier II 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, and financial 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 Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	7.450.521	6.045.994
Total Risk Weighted Assets	42.842.113	37.814.453
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	12,07	10,96
Consolidated Tier I Capital Adequacy Ratio (%)	12,07	10,96
Consolidated Capital Adequacy Ratio (%)	17,39	15,99
<b>BUFFERS</b>		
Total buffer requirement (%)	2,510	1,883
Capital conservation buffer requirement (%)	2,500	1,875
Bank specific counter-cyclical buffer requirement (%)	0,010	0,008
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,07	4,96
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	491.777	413.659
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to consolidated shareholders' equity (continued)**

<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	554.358	361.452
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	504.412	361.452
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	-	-

**Explanations on the reconciliation between amounts related to equity items and on balance sheet**

There are no differences between the amounts related to equity items and on balance sheet figures.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to consolidated shareholders' equity (continued)**

**Details on Subordinated Liabilities**

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominique on Subordinated Liabilities of CMB numbered CMB-II-31.1
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date - Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Debt Instruments
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5th year)
Subsequent call dates, if applicable	After 5th year only for once
<b>Interest and Dividen Payments</b>	
Fixed or floating dividend/coupon	Fixed/semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliance with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk**

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

**Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types**

	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>
Exposures to sovereigns and their central banks	7.542.220	6.970.101	6.245.307	6.036.196
Exposures to regional and local governments	3.000	3.000	3.000	3.000
Exposures to administrative bodies and noncommercial entities	5.988	31.219	11.946	4.126
Exposures to multilateral development banks	-	-	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	3.395.950	4.796.142	3.824.818	3.612.202
Exposures to corporates	55.099.741	52.164.134	47.310.220	42.081.652
Retail exposures	-	-	-	-
Exposures secured by property	1.654.869	1.516.447	1.395.232	1.240.266
Past due receivables	749.429	555.963	427.721	237.052
Exposures in higher-risk categories	626.348	357.746	106.668	52.661
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-
Equity investments	654.308	571.021	498.767	448.606
Other exposures	1.012.475	1.232.226	931.678	1.361.423

<sup>(1)</sup> Includes total risk amounts before the effect of credit risk mitigation.

<sup>(2)</sup> Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

The first 100 and 200 largest cash loans constitute 72,86% and 91,90% of the total cash loans portfolio of the Group respectively (31 December 2018: 70,90% and 89,03%).

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Group respectively (31 December 2018: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 72,29% and 91,31% of the total on and off balance sheet accounts of the Group respectively (31 December 2018: 70,30% and 88,82%).

The Group calculated the expected credit loss provision amounting to TL 557.848 in accordance with TFRS 9 impairment model (31 December 2018: TL 364.231).

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to the Parent Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Parent Bank's internal ratings.

Information of credit amounts rated by internal rating model is given table below for the current period.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	9.281.586	8.454.861
Average Grade	20.299.648	19.216.471
Below Average Grade	5.408.531	3.132.445
Impaired <sup>(1)</sup>	1.109.953	600.174
<b>Total</b>	<b>36.099.718</b>	<b>31.403.951</b>

<sup>(1)</sup> Loans belong to the financial subsidiaries subject to line-by-line consolidation method are considered as unrated. Impaired loans are presented in the table above.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 36.456.303 (31 December 2018 :TL 31.533.715) and TL 356.585 (31 December 2018: TL 129.764) of these customers have not been rated.

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

	Current Period <sup>(1)</sup>			Prior Period				
	31- 60 Days	61- 90 Days	Other	Total	31- 60 Days	61- 90 Days	Other	Total
Corporate Loans	1.255	-	-	1.255	10.631	-	-	10.631
SME Loans	731	-	-	731	-	202	-	202
Consumer Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.986</b>	<b>-</b>	<b>-</b>	<b>1.986</b>	<b>10.631</b>	<b>202</b>	<b>-</b>	<b>10.833</b>

<sup>(1)</sup> Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 27.724.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Profile of Significant Exposures in Major Region**

Current Period	Risk Types <sup>(1)</sup>							Risk Types <sup>(1)</sup>							Equity investments	Other exposures	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings			
Domestic	7.516.926	3.000	1.198	-	-	1.924.631	31.566.989	-	1.651.791	749.429	77.654	-	-	-	592.086	766.283	44.849.987
European Union (EU) Countries	-	-	-	-	-	249.122	-	-	-	-	-	-	-	-	53.806	96.782	399.710
OECD Countries <sup>(2)</sup>	-	-	-	-	-	10.001	-	-	-	-	-	-	-	-	-	-	10.001
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	172.899	-	-	-	-	-	-	-	-	-	-	172.899
Other Countries	-	-	-	-	-	-	123.972	-	-	-	-	-	-	-	-	-	123.972
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.416	-	8.416
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.460	-	-	-	-	-	-	-	-	52.416	53.876
<b>Total</b>	<b>7.516.926</b>	<b>3.000</b>	<b>1.198</b>	<b>-</b>	<b>-</b>	<b>2.356.653</b>	<b>31.692.421</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654.308</b>	<b>915.481</b>	<b>45.618.861</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Profile of Significant Exposures in Major Region (continued)**

Prior Period	Risk Types <sup>(1)</sup>							Risk Types <sup>(1)</sup>							Total		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings		Equity investments	Other exposures
Domestic	6.283.170	600	2.389	-	-	2.301.918	27.935.798	-	1.388.579	427.721	1.114	-	-	-	52.251	570.328	38.963.868
European Union (EU) Countries	-	-	-	-	-	516.755	-	-	-	-	-	-	-	-	41.778	97.405	655.938
OECD Countries <sup>(2)</sup>	-	-	-	-	-	3.229	-	-	-	-	-	-	-	-	-	-	3.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	100.763	-	-	-	-	-	-	-	-	-	-	100.763
Other Countries	-	-	-	-	-	-	109.969	-	-	-	-	-	-	-	-	-	109.969
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	404.738	-	404.738
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.283	-	-	-	-	-	-	-	-	47.585	48.868
<b>Total</b>	<b>6.283.170</b>	<b>600</b>	<b>2.389</b>	<b>-</b>	<b>-</b>	<b>2.922.665</b>	<b>28.047.050</b>	<b>-</b>	<b>1.388.579</b>	<b>427.721</b>	<b>1.114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>498.767</b>	<b>715.318</b>	<b>40.287.373</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.



**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Explanations related to credit risk (continued)**

**Risk profile by sectors or counterparties**

Current Period	Risk Types <sup>(1)</sup>									Risk Types <sup>(1)</sup>								
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher- risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective undertakings	Equity investments	Other exposures	TL	FC
Agriculture	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	340	29.284	8.781	38.065
Farming and Stockbreeding	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	28.944	8.781	37.725
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	20.658.810	-	372.166	670.336	77.654	-	-	-	-	1.304.441	20.474.525	21.778.966
Mining and Quarrying	-	-	-	-	-	-	577.828	-	16.880	-	-	-	-	-	-	-	594.708	594.708
Production	-	-	-	-	-	-	6.383.976	-	343.041	7.737	7	-	-	-	-	734.052	6.000.709	6.734.761
Electricity, Gas and Water	-	-	-	-	-	-	13.697.006	-	12.245	662.599	77.647	-	-	-	-	570.389	13.879.108	14.449.497
Construction	-	-	-	-	-	-	1.073.133	-	336.448	1.880	-	-	-	-	-	240.758	1.170.703	1.411.461
Services	804.012	-	1.128	-	-	2.356.653	9.732.880	-	928.324	74.423	-	-	-	654.308	96.863	3.001.001	11.647.590	14.648.591
Wholesale and Retail Trade	-	-	-	-	-	-	580.608	-	6.598	74.423	-	-	-	-	50	236.603	425.076	661.679
Accommodation and Dining	-	-	-	-	-	-	461.016	-	676.998	-	-	-	-	2.250	-	89.060	1.051.204	1.140.264
Transportation and Telecommunication	-	-	-	-	-	-	2.267.775	-	-	-	-	-	-	65.459	-	86.344	2.246.890	2.333.234
Financial Institutions	804.012	-	1.128	-	-	2.356.653	3.673.536	-	-	-	-	-	-	581.489	96.811	2.054.306	5.459.323	7.513.629
Real Estate and Rental Services	-	-	-	-	-	-	277.980	-	-	-	-	-	-	-	-	7.816	270.164	277.980
Professional Services	-	-	-	-	-	-	1.472.909	-	-	-	-	-	-	5.110	2	467.563	1.010.458	1.478.021
Educational Services	-	-	-	-	-	-	192.336	-	17.395	-	-	-	-	-	-	50.094	159.637	209.731
Health and Social Services	-	-	-	-	-	-	806.720	-	227.333	-	-	-	-	-	-	9.215	1.024.838	1.034.053
Others	6.712.914	3.000	70	-	-	-	192.663	-	14.853	-	-	-	-	-	818.278	5.307.892	2.433.886	7.741.778
<b>Total</b>	<b>7.516.926</b>	<b>3.000</b>	<b>1.198</b>	-	-	<b>2.356.653</b>	<b>31.692.421</b>	-	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	-	-	<b>654.308</b>	<b>915.481</b>	<b>9.883.376</b>	<b>35.735.485</b>	<b>45.618.861</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Explanations related to credit risk (continued)**

**Risk profile by sectors or counterparties (continued)**

Prior Period	Risk Types <sup>(1)</sup>									Risk Types <sup>(1)</sup>									
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective undertakings	Equity investments	Other exposures	TL	FC	Total
Agriculture	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	340	33.050	44.917	77.967
Farming and Stockbreeding	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	-	32.710	44.917	77.627
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	-	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	18.424.244	-	390.215	417.732	1.114	-	-	-	-	-	1.024.780	18.208.525	19.233.305
Mining and Quarrying	-	-	-	-	-	-	574.527	-	16.880	-	-	-	-	-	-	-	12.155	579.252	591.407
Production	-	-	-	-	-	-	5.447.388	-	223.227	-	-	-	-	-	-	-	783.423	4.887.192	5.670.615
Electricity, Gas and Water	-	-	-	-	-	-	12.402.329	-	150.108	417.732	1.114	-	-	-	-	-	229.202	12.742.081	12.971.283
Construction	-	-	-	-	-	-	1.113.505	-	215.620	1.742	-	-	-	-	-	-	207.493	1.123.374	1.330.867
Services	743.202	-	2.324	-	-	2.922.665	7.970.253	-	767.165	8.247	-	-	-	-	498.767	178.019	2.385.996	10.704.646	13.090.642
Wholesale and Retail Trade	-	-	-	-	-	-	562.168	-	6.598	-	-	-	-	-	160	365	8.405	560.886	569.291
Accommodation and Dining	-	-	-	-	-	-	561.736	-	653.028	-	-	-	-	-	1.750	-	109.144	1.107.370	1.216.514
Transportation and Telecommunication	-	-	-	-	-	-	1.959.934	-	-	-	-	-	-	-	1.056	-	1.628	1.959.362	1.960.990
Financial Institutions	743.202	-	2.324	-	-	2.922.665	2.333.426	-	-	-	-	-	-	491.191	177.644	1.811.962	4.858.490	6.670.452	
Real Estate and Rental Services	-	-	-	-	-	-	377.052	-	57.961	8.247	-	-	-	-	-	-	8.247	435.013	443.260
Professional Services	-	-	-	-	-	-	1.089.457	-	-	-	-	-	-	-	4.610	10	427.304	666.773	1.094.077
Educational Services	-	-	-	-	-	-	133.827	-	23.010	-	-	-	-	-	-	-	877	155.960	156.837
Health and Social Services	-	-	-	-	-	-	952.653	-	26.568	-	-	-	-	-	-	-	18.429	960.792	979.221
Others	5.539.968	600	65	-	-	-	461.421	-	15.579	-	-	-	-	-	-	536.959	4.476.456	2.078.136	6.554.592
<b>Total</b>	<b>6.283.170</b>	<b>600</b>	<b>2.389</b>	-	-	<b>2.922.665</b>	<b>28.047.050</b>	-	<b>1.388.579</b>	<b>427.721</b>	<b>1.114</b>	-	-	-	<b>498.767</b>	<b>715.318</b>	<b>8.127.775</b>	<b>32.159.598</b>	<b>40.287.373</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities**

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Current Period <sup>(1)</sup></b>					
Exposures to sovereigns and their central banks	843.155	358.011	391.497	158.809	4.875.385
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	1.128	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	884.992	379.006	380.933	308.290	336.065
Exposures to corporates	2.232.678	968.321	1.217.869	2.043.538	24.895.086
Retail exposures	-	-	-	-	-
Exposures secured by property	-	-	15.553	30.821	1.605.416
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	7.920	292	-	140	41.989
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	140.927	-	247	-	13.190
<b>Total</b>	<b>4.110.800</b>	<b>1.705.630</b>	<b>2.006.099</b>	<b>2.541.598</b>	<b>31.767.131</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities (continued)**

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Prior Period <sup>(1)</sup></b>					
Exposures to sovereigns and their central banks	747.991	45.012	312.004	513.776	4.619.586
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	2.324	-	-	-	-
Exposures to multilateral development banks	--	-	-	-	-
Exposures to international organizations	--	-	-	-	-
Exposures to banks and securities firms	1.726.232	261.034	44.950	-	803.585
Exposures to corporates	1.058.391	764.440	837.867	1.646.756	23.532.190
Retail exposures	-	-	-	-	-
Exposures secured by property	395	-	63.006	18.081	1.307.096
Past due receivables	--	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	1.114
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	1.579	-	-	518	21.631
<b>Total</b>	<b>3.536.912</b>	<b>1.070.486</b>	<b>1.257.827</b>	<b>2.179.131</b>	<b>30.285.202</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Credit risk under standard approach**

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in capital adequacy calculation regarding exposures to banks and securities firms and central sovereigns and central bank. Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

Credit Quality Grades	Fitch Ratings	Risk Types			
		Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Original Maturities Less Than 3 Months	Claims with Original Maturities More Than 3 Months	
1	AAA				
	AA+				
	AA				
	AA-	0%	20%	20%	20%
	A+				
2	A				
	A-	20%	20%	50%	50%
	BBB+				
3	BBB				
	BBB-	50%	20%	50%	100%
	BB+				
4	BB				
	BB-	100%	50%	100%	100%
	B+				
	B				
	B-	100%	50%	100%	150%
6	CCC+				
	CCC				
	CCC-				
	CC				
	C				
	D	150%	150%	150%	150%
Unrated	Unrated	100%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	100%

<sup>(1)</sup> Used in case when the risk weight of the sovereign of the Bank's country is not higher.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Exposures by risk weights**

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deducted from Equity
Exposures Before Credit Risk Mitigation <sup>(1)</sup>	5.098.040	-	1.430.240	477.560	-	38.135.325	79.240	-	491.777	7.680
Exposures After Credit Risk Mitigation	5.245.019	-	1.430.240	2.129.351	-	36.243.234	79.240	-	491.777	7.680

<sup>(1)</sup>The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Prior Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deducted from Equity
Exposures Before Credit Risk Mitigation <sup>(1)</sup>	4.467.367	-	1.132.570	721.429	-	33.690.867	2.565	-	413.659	40.034
Exposures After Credit Risk Mitigation	4.654.759	-	1.132.570	2.111.562	-	31.972.258	2.565	-	413.659	40.034

<sup>(1)</sup>The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

**Information of major sectors or type of counterparties**

The Parent Bank's all impaired and non-performing receivables comprise of domestic receivables.

Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.898	25.108
Farming and Stockbreeding	-	27.898	25.108
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.650.408	957.369	465.954
Mining and Quarrying	-	196	196
Production	336.505	18.277	38.327
Electricity, Gas and Water	1.313.903	938.896	427.431
Services	1.547.731	117.890	205.151
Wholesale and Retail Trade	69.088	108.615	53.538
Accommodation and Dining	-	719	719
Transportation and Telecommunication	164.354	64	53.293
Financial Institutions	-	2.504	2.504
Real Estate, Rental and Management Services	926.288	5.814	46.196
Professional Services	-	174	174
Educational Services	-	-	-
Health and Social Services	388.001	-	48.727
Others	201.212	4.615	12.937
<b>Total</b>	<b>3.399.351</b>	<b>1.107.772</b>	<b>709.150</b>

<sup>(1)</sup> Includes breakdown of cash loans and financial lease receivables.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Information of major sectors or type of counterparties (continued)**

Current Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Impaired		
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Losses (TFRS 9)
Agriculture	-	-	-
Farming and Stockbreeding	-	-	-
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.541.322	563.077	261.213
Mining and Quarrying	-	195	195
Production	179.778	6.975	23.552
Electricity, Gas and Water	1.361.544	555.907	237.466
Services	940.633	25.302	97.452
Wholesale and Retail Trade	-	1.236	1.236
Accommodation and Dining	2.378	738	791
Transportation and Telecommunication	136.988	57	15.811
Financial Institutions	-	2.504	2.504
Real Estate, Rental and Management Services	801.267	20.618	76.961
Professional Services	-	149	149
Educational Services	-	-	-
Health and Social Services	-	-	-
Others	170.944	8.831	21.964
<b>Total</b>	<b>2.652.899</b>	<b>597.210</b>	<b>380.629</b>

<sup>(1)</sup> Includes breakdown of cash loans.

**Information related with value adjustments and loan loss provisions**

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	169.489	198.069	(9.215)	-	358.343
Stage 1-2 Provisions	364.231	193.648	31	-	557.848
Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	52.078	108.311	(9.100)	-	169.489
Stage 1-2 Provisions	150.769	213.547	(85)	-	364.231

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Exposures Subject to Countercyclical Capital Buffer**

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

**Information about receivables from consolidated private sector:**

Current Period			
Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	39.819	-	39.819
Georgia	123.972	-	123.972
England	51.710	-	51.710
Turkey	37.527.324	-	37.527.324
<b>Total</b>	<b>37.742.825</b>	<b>-</b>	<b>37.742.825</b>

Prior Period			
Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	5.823	-	5.823
Georgia	109.969	-	109.969
England	62.733	-	62.733
Turkey	32.608.375	-	32.608.375
<b>Total</b>	<b>32.786.900</b>	<b>-</b>	<b>32.786.900</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to consolidated currency risk**

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
<b>The Parent Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2019	5,9160	6,6289
<b>Prior Five Workdays:</b>		
30 December 2019	5,9150	6,6213
27 December 2019	5,9075	6,5697
26 December 2019	5,9100	6,5547
25 December 2019	5,9140	6,5560
24 December 2019	5,9100	6,5539

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 5,8183 and 6,4652 respectively.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to consolidated currency risk (continued)**

**Information on the Group's foreign currency risk:**

	Euro	US Dollar	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	326.415	477.113	-	803.528
Banks	164.909	71.655	8.155	244.719
Financial Assets at Fair Value Through Profit and Loss <sup>(1)</sup>	74.570	378.039	1.012	453.621
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	61.199	1.915.940	-	1.977.139
Loans <sup>(2)</sup>	13.526.294	14.764.672	-	28.290.966
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	299.266	-	299.266
Derivative Financial Assets for Hedging Purposes	-	67.884	-	67.884
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(3)</sup>	76.468	323.092	-	399.560
<b>Total Assets</b>	<b>14.229.855</b>	<b>18.297.661</b>	<b>9.167</b>	<b>32.536.683</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	128.954	533.218	-	662.172
Funds Provided From Other Financial Institutions	12.069.597	13.923.090	<sup>(1)</sup>	25.992.686
Marketable Securities Issued <sup>(4)</sup>	-	7.853.495	-	7.853.495
Miscellaneous Payables	14.661	68.890	869	84.420
Derivative Financial Liabilities for Hedging Purposes <sup>(5)</sup>	-	16.545	-	16.545
Other Liabilities <sup>(6)</sup>	84.827	117.881	494	203.202
<b>Total Liabilities</b>	<b>12.298.039</b>	<b>22.513.119</b>	<b>1.362</b>	<b>34.812.520</b>
<b>Net Balance Sheet Position</b>	<b>1.931.816</b>	<b>(4.215.458)</b>	<b>7.805</b>	<b>(2.275.837)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2.069.575)</b>	<b>4.460.081</b>	<b>(7.788)</b>	<b>2.382.718</b>
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(3.107.098)	(2.614.729)	(157.686)	(5.879.513)
Non-Cash Loans <sup>(7)</sup>	1.806.354	2.287.913	2.715	4.096.982
Prior Period				
Total Assets	12.936.144	16.929.784	17.433	29.883.361
Total Liabilities	11.680.697	20.977.642	1.330	32.659.669
<b>Net Balance Sheet Position</b>	<b>1.255.447</b>	<b>(4.047.858)</b>	<b>16.103</b>	<b>(2.776.308)</b>
<b>Net Off -Balance Sheet Position</b>	<b>(1.373.555)</b>	<b>3.956.152</b>	<b>(14.992)</b>	<b>2.567.605</b>
Financial Derivative Assets	1.902.722	6.761.213	153.506	8.817.441
Financial Derivative Liabilities	(3.276.277)	(2.805.061)	(168.498)	(6.249.836)
Non-Cash Loans <sup>(7)</sup>	1.351.786	1.334.076	-	2.685.862

<sup>(1)</sup> Exchange rate differences arising from derivative transactions amounting to TL 50.658 is deducted from "Financial Assets at Fair Value Through Profit and Loss".  
<sup>(2)</sup> Loans include TL 1.550.351 foreign currency indexed loans, TL 128.874 financial lease receivables, TL 637.135 non-performing loans, and TL (154.436) credit-impaired losses (stage III/specific provision).  
<sup>(3)</sup> Prepaid expenses amounting to TL 1.628, 12 months expected credit loss for other assets amounting to TL (1.041) are not included other assets.  
<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.  
<sup>(5)</sup> Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.  
<sup>(6)</sup> Marketable securities value increase fund amounting to TL (3.356), exchange rate differences arising from derivative transactions amounting to TL 45.751, forward foreign exchange purchase transaction rediscounts amounting to TL 24, and other provisions amounting to TL 22.070 have not been included in "Other Liabilities".  
<sup>(7)</sup> Has no effect on net off-balance sheet position.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to consolidated currency risk (continued)**

The Group is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate		Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period	
US Dollar	10	23.918	(9.715)	544	544	
Euro	10	(13.807)	(11.842)	31	31	
Other	10	2	111	-	-	

	Decrease in Currency Rate		Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period	
US Dollar	10	(23.918)	9.715	(544)	(544)	
Euro	10	13.807	11.842	(31)	(31)	
Other	10	(2)	(111)	-	-	

<sup>(1)</sup> Values expressed are before the tax effect.

<sup>(2)</sup> Effect on equity does not include effect on profit/loss.

**IV. Explanations related to consolidated interest rate risk**

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of the Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to consolidated interest rate risk (continued)**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	803.582	-	-	-	-	30	803.612
Banks <sup>(2)</sup>	105.873	106.217	-	-	-	45.218	257.308
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	187.104	401.575	320.280	156.641	168.514	7.135	1.241.249
Money Market Placements <sup>(2)</sup>	252.767	273.232	252	-	-	-	526.251
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	159.716	436.915	1.147.301	1.646.055	679.717	116.569	4.186.273
Loans <sup>(2)</sup>	5.613.551	7.365.035	8.697.347	5.230.649	3.855.703	-	30.762.285
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	338.296	994.092	950.535	-	298.876	-	2.581.799
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	1.829.831	1.894.234
<b>Total Assets</b>	<b>7.460.889</b>	<b>9.577.066</b>	<b>11.115.715</b>	<b>7.097.748</b>	<b>5.002.810</b>	<b>1.998.783</b>	<b>42.253.011</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.197.709	-	-	-	-	(342)	1.197.367
Miscellaneous Payables	-	-	-	-	-	128.262	128.262
Marketable Securities Issued <sup>(4)</sup>	-	108.662	2.087.826	5.765.669	-	145.256	8.107.413
Funds Provided from Other Financial Institutions	3.892.357	6.211.730	9.490.539	2.692.067	4.341.632	-	26.628.325
Other Liabilities	130.310	222.183	127.051	47.605	-	5.664.495	6.191.644
<b>Total Liabilities</b>	<b>5.220.376</b>	<b>6.542.575</b>	<b>11.705.416</b>	<b>8.505.341</b>	<b>4.341.632</b>	<b>5.937.671</b>	<b>42.253.011</b>
<b>Balance Sheet Long Position</b>	<b>2.240.513</b>	<b>3.034.491</b>	<b>-</b>	<b>-</b>	<b>661.178</b>	<b>-</b>	<b>5.936.182</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>(589.701)</b>	<b>(1.407.593)</b>	<b>-</b>	<b>(3.938.888)</b>	<b>(5.936.182)</b>
Off-Balance Sheet Long Position	-	-	-	4.035.583	673.362	-	4.708.945
Off-Balance Sheet Short Position	(1.184.952)	(1.317.889)	(1.773.188)	-	-	-	(4.276.029)
<b>Total Position</b>	<b>1.055.561</b>	<b>1.716.602</b>	<b>(2.362.889)</b>	<b>2.627.990</b>	<b>1.334.540</b>	<b>(3.938.888)</b>	<b>432.916</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to consolidated interest rate risk (continued)**

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	423.408	-	-	-	-	319.577	742.985
Banks <sup>(2)</sup>	659.844	90.342	-	-	-	56.811	806.997
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	284.565	438.541	503.145	52.037	-	1.452	1.279.740
Money Market Placements <sup>(2)</sup>	358.064	170.576	44.950	-	-	-	573.590
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	131.914	92.670	1.341.530	1.538.414	221.517	94.025	3.420.070
Loans <sup>(2)</sup>	5.553.655	6.842.331	8.791.312	5.423.543	942.241	-	27.553.082
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	311.618	904.733	672.132	-	264.830	-	2.153.313
Other Assets <sup>(2)</sup>	-	-	-	-	-	1.739.663	1.739.663
<b>Total Assets</b>	<b>7.723.068</b>	<b>8.539.193</b>	<b>11.353.069</b>	<b>7.013.994</b>	<b>1.428.588</b>	<b>2.211.528</b>	<b>38.269.440</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	402.184	94	-	-	-	-	402.278
Miscellaneous Payables	-	-	-	-	-	65.568	65.568
Marketable Securities Issued <sup>(4)</sup>	-	-	1.797.030	6.701.933	-	-	8.498.963
Funds Provided from Other Financial Institutions	4.365.770	8.445.071	4.753.669	3.985.813	2.269.347	-	23.819.670
Other Liabilities	232.024	262.990	284.877	45.164	-	4.657.906	5.482.961
<b>Total Liabilities</b>	<b>4.999.978</b>	<b>8.708.155</b>	<b>6.835.576</b>	<b>10.732.910</b>	<b>2.269.347</b>	<b>4.723.474</b>	<b>38.269.440</b>
<b>Balance Sheet Long Position</b>	<b>2.723.090</b>	<b>-</b>	<b>4.517.493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.240.583</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>(168.962)</b>	<b>-</b>	<b>(3.718.916)</b>	<b>(840.759)</b>	<b>(2.511.946)</b>	<b>(7.240.583)</b>
Off-Balance Sheet Long Position	2.024	2.235	-	6.677.488	541.315	-	7.223.062
Off-Balance Sheet Short Position	(1.718.241)	(1.897.660)	(3.335.297)	-	-	-	(6.951.198)
<b>Total Position</b>	<b>1.006.873</b>	<b>(2.064.387)</b>	<b>1.182.196</b>	<b>2.958.572</b>	<b>(299.444)</b>	<b>(2.511.946)</b>	<b>271.864</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to consolidated interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments: %**

	Euro	US Dollar	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,80	1,55	-	7,60
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	14,70
Money Market Placements	-	-	-	13,49
Available-for-Sale Financial Assets	4,24	4,76	-	17,49
Loans	4,59	6,72	-	17,04
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,96
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	13,10
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,11	2,88	-	10,79

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes Loans at Fair value through profit or loss.



**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to consolidated interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments in prior period: %**

	Euro	US Dollar	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	2,10	-	11,35
Banks	2,90	2,30	-	22,92
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	27,62
Money Market Placements	-	-	-	24,59
Available-for-Sale Financial Assets	5,62	4,32	-	16,94
Loans	4,49	7,46	-	19,10
Financial Assets Measured at Amortized Cost	-	6,77	-	16,76
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,75	1,50	-	22,59
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	-
Borrower Funds	0,75	1,50	-	15,00
Funds Provided From Other Financial Institutions	1,07	3,29	-	10,30

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes Loans at Fair value through profit or loss.

**V. Explanations related to consolidated stock position risk**

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

**Equity shares risk due from banking book**

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
<b>Investment in Shares-Grade A</b>	<b>416.906</b>	-	<b>889.837</b>
Quoted	416.906	-	889.837
<b>Prior Period</b>			
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>373.145</b>	-	<b>980.592</b>
Quoted	373.145	-	980.592

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to consolidated stock position risk (continued)**

**Equity shares risk due from banking book (continued)**

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	Revaluation Value Increases		Unrealized Gains and Losses			
	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	38.832	38.832	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	-	-	-
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>38.832</b>	<b>38.832</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prior Period	Revaluation Value Increases		Unrealized Gains and Losses			
	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	(456)	(456)	-	-	-
Other Share Certificates	-	40.468	40.468	-	-	-
<b>Total</b>	<b>-</b>	<b>40.012</b>	<b>40.012</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio**

**1. Explanations related to the consolidated liquidity risk**

**1.a Information about the governance of consolidated liquidity risk management, including: risk tolerance; structure and responsibilities for consolidated liquidity risk management; internal consolidated liquidity reporting; and communication of consolidated liquidity risk strategy, policies and practices across business lines and with the board of directors**

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments. The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings. The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

**1.b Information on the centralization degree of consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries**

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

**1.c Information on the Parent Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Parent Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.

**1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities:**

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**1. Explanations related to the consolidated liquidity risk (continued)**

**1.d Information on consolidated liquidity risk mitigation techniques:**

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article C. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

**1.e Information on the use of stress tests**

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

**1.f General information on urgent and unexpected consolidated liquidity situation plans:**

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Parent Bank's Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**2. Consolidated Liquidity Coverage Ratio**

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and consolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets			3.898.392	1.730.885
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	32	5	3	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	32	5	3	1
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.849.085	2.182.738	2.451.920	1.795.976
6 Operational deposits	97.764	84.500	24.441	21.125
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.751.321	2.098.238	2.427.479	1.774.851
9 Secured funding	-	-	-	-
10 Other Cash Outflows	938.988	1.482.988	938.988	1.482.988
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	761.155	1.305.155	761.155	1.305.155
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	177.833	177.833	177.833	177.833
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.396.531	16.430.772	1.019.827	821.539
15 Other irrevocable or conditionally revocable commitments	8.485.985	6.800.318	1.194.592	751.330
<b>16 TOTAL CASH OUTFLOWS</b>			<b>5.605.330</b>	<b>4.851.834</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	122.181	-	-	-
18 Unsecured Lending Transactions	3.195.805	1.977.707	2.419.361	1.449.493
19 Other contractual cash inflows	88.241	1.339.028	88.241	1.339.028
<b>20 TOTAL CASH INFLOWS</b>	<b>3.406.227</b>	<b>3.316.735</b>	<b>2.507.602</b>	<b>2.788.521</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>3.898.392</b>	<b>1.730.885</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>3.097.728</b>	<b>2.063.313</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>126</b>	<b>84</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**2. Consolidated Liquidity Coverage Ratio (continued):**

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets			3.725.887	1.235.099
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	37	8	4	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	37	8	4	1
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.519.701	758.594	1.318.314	564.669
6 Operational deposits	49.366	39.616	12.341	9.904
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.470.335	718.978	1.305.973	554.765
9 Secured funding	-	-	-	-
10 Other Cash Outflows	953.824	1.268.703	953.824	1.268.703
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	790.111	1.104.990	790.111	1.104.990
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	163.713	163.713	163.713	163.713
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	16.329.005	13.187.181	816.450	659.359
15 Other irrevocable or conditionally revocable commitments	7.625.905	5.868.830	1.152.249	667.446
<b>16 TOTAL CASH OUTFLOWS</b>			<b>4.240.841</b>	<b>3.160.178</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	491	-	-	-
18 Unsecured Lending Transactions	3.441.545	1.736.736	2.742.901	1.268.912
19 Other contractual cash inflows	78.475	1.560.514	78.475	1.560.514
<b>20 TOTAL CASH INFLOWS</b>	<b>3.520.511</b>	<b>3.297.250</b>	<b>2.821.376</b>	<b>2.829.426</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>3.725.887</b>	<b>1.235.099</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1.419.465</b>	<b>790.045</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>262</b>	<b>156</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**3. Minimum explanations related to the liquidity coverage ratio by Banks:**

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. For total and foreign currency limits 100% and minimum 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 26%. 7% of the Parent Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	30	803.582	-	-	-	-	-	803.612
Banks <sup>(2)</sup>	45.218	105.873	106.217	-	-	-	-	257.308
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	7.135	326.556	477.909	425.539	30.083	-	-	1.267.222
Money Market Placements <sup>(2)</sup>	-	252.767	273.232	252	-	-	-	526.251
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	-	70.377	363.104	574.908	2.314.896	746.419	116.569	4.186.273
Loans <sup>(2)</sup>	-	2.899.600	1.888.609	4.985.933	14.274.928	5.951.066	736.176	30.736.312
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	-	-	-	-	2.218.427	363.372	-	2.581.799
Other Assets <sup>(2)</sup>	-	-	5.975	80.941	127.752	-	1.679.566	1.894.234
<b>Total Assets</b>	<b>52.383</b>	<b>4.458.755</b>	<b>3.115.046</b>	<b>6.067.573</b>	<b>18.966.086</b>	<b>7.060.857</b>	<b>2.532.311</b>	<b>42.253.011</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	931.629	520.378	3.904.466	11.173.544	10.098.308	-	26.628.325
Money Market Borrowings	(342)	1.197.709	-	-	-	-	-	1.197.367
Marketable Securities Issued <sup>(4)</sup>	-	99.070	169.882	2.105.085	5.733.376	-	-	8.107.413
Miscellaneous Payables	-	-	-	-	-	-	128.262	128.262
Other Liabilities	-	130.310	222.183	127.051	47.605	-	5.664.495	6.191.644
<b>Total Liabilities</b>	<b>(342)</b>	<b>2.358.718</b>	<b>912.443</b>	<b>6.136.602</b>	<b>16.954.525</b>	<b>10.098.308</b>	<b>5.792.757</b>	<b>42.253.011</b>
<b>Liquidity Gap</b>	<b>52.725</b>	<b>2.100.037</b>	<b>2.202.603</b>	<b>(69.029)</b>	<b>2.011.561</b>	<b>(3.037.451)</b>	<b>(3.260.446)</b>	<b>-</b>
Net Off-balance sheet Position	-	(2.079)	(179.812)	311.081	306.043	(1.212)	-	434.021
Financial Derivative Assets	-	3.421.629	2.036.215	6.244.197	12.887.416	3.742.034	-	28.331.491
Financial Derivative Liabilities	-	3.423.708	2.216.027	5.933.116	12.581.373	3.743.246	-	27.897.470
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.540	4.547.716
<b>Prior Period</b>								
Total Assets	390.278	3.118.321	1.721.716	5.886.584	18.471.119	6.860.172	1.821.250	38.269.440
Total Liabilities	-	759.779	431.426	5.089.321	17.704.897	9.560.543	4.723.474	38.269.440
<b>Liquidity Gap</b>	<b>390.278</b>	<b>2.358.542</b>	<b>1.290.290</b>	<b>797.263</b>	<b>766.222</b>	<b>(2.700.371)</b>	<b>(2.902.224)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(47.884)</b>	<b>(7.756)</b>	<b>23.591</b>	<b>286.659</b>	<b>15.232</b>	<b>-</b>	<b>269.842</b>
Financial Derivative Assets	-	3.662.503	2.206.118	4.378.824	12.035.187	7.121.613	-	29.404.245
Financial Derivative Liabilities	-	3.710.387	2.213.874	4.355.233	11.748.528	7.106.381	-	29.134.403
Non-cash Loans	-	117.206	149.450	1.331.212	249.706	840.965	485.268	3.173.807

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**Analysis of financial liabilities by remaining contractual maturities**

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	941.370	557.184	4.268.233	12.517.865	11.451.760	(3.108.087)	26.628.325
Money Market Borrowings	1.198.658	-	-	-	-	(1.291)	1.197.367
Marketable Securities Issued	56.942	175.394	2.353.430	6.326.035	-	(804.388)	8.107.413
Funds	58.950	-	-	-	-	-	58.950
Leasing Liabilities	17	33	1.559	3.639	17	(334)	4.913
<b>Total</b>	<b>2.255.937</b>	<b>732.611</b>	<b>6.623.222</b>	<b>18.847.539</b>	<b>11.451.777</b>	<b>(3.914.100)</b>	<b>35.996.968</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	250.750	473.529	3.564.137	11.932.773	10.745.190	(3.146.709)	23.819.670
Money Market Borrowings	402.220	97	-	-	-	(39)	402.278
Marketable Securities Issued	49.424	58.732	2.169.217	7.473.832	-	(1.252.242)	8.498.963
Funds	32.529	-	-	-	-	-	32.529
<b>Total</b>	<b>734.923</b>	<b>532.358</b>	<b>5.733.354</b>	<b>19.406.605</b>	<b>10.745.190</b>	<b>(4.398.990)</b>	<b>32.753.440</b>

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	5.305.067	3.207.161	8.293.852	24.774.091	7.485.280	49.065.451
Forward Contracts	727.240	552.169	3.455.183	653.118	-	5.387.710
Futures Transactions	-	-	-	-	-	-
Options	813.030	492.912	428.278	41.580	-	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>6.845.337</b>	<b>4.252.242</b>	<b>12.177.313</b>	<b>25.468.789</b>	<b>7.485.280</b>	<b>56.228.961</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	5.553.084	3.255.128	6.765.757	26.785.018	7.096.803	49.455.790
Forward Contracts	1.313.247	727.695	785.000	975.007	-	3.800.949
Futures Transactions	-	-	-	-	-	-
Options	726.110	1.028.724	3.476.077	37.597	-	5.268.508
Other	-	13.401	-	-	-	13.401
<b>Total</b>	<b>17.382.828</b>	<b>14.495.747</b>	<b>24.204.833</b>	<b>2.455.240</b>	<b>14.227.994</b>	<b>58.538.648</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VII. Explanations related to consolidated leverage ratio**

**a) Information about the consolidated leverage ratio between current and prior periods**

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

As of 31 December 2019, leverage ratio of the Group calculated from the arithmetic average of the three months is 10,56% (31 December 2018: 8,57%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 2,26% compare to prior period.

**b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS**

	Current Period	Prior Period
1 Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(2)</sup>	42.449.529	38.615.495
2 The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(2)</sup>	196.518	346.055
3 The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(408.001)	(535.603)
4 The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	1.238.940	1.421.363
5 The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(2.804.361)	(2.294.016)
6 The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	-	-
<b>7 Total Exposures <sup>(1)</sup></b>	<b>47.826.907</b>	<b>46.770.242</b>

<sup>(1)</sup> The arithmetic average of the last 3 months in the related periods.

<sup>(2)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2019 figures used in this table for the current period due to consolidated financial statements prepared in accordance with TAS are not prepared as of the date of this report and 31 December 2018 figures used in this table for the prior period.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VII. Explanations related to consolidated leverage ratio (continued)**

**c) Consolidated Leverage Ratio**

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Balance sheet Assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	40.114.358	39.226.657
2 (Assets deducted from Core capital)	(92.635)	(40.829)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	<b>40.021.723</b>	<b>39.185.828</b>
<b>Derivative financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	980.946	1.071.953
5 Potential credit risk amount of derivative financial assets and credit derivatives	389.386	442.871
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	<b>1.370.332</b>	<b>1.514.824</b>
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity	572.591	474.260
8 Risk amount arising from intermediary transactions	129.806	114.299
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	<b>702.397</b>	<b>588.559</b>
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	8.536.816	7.775.047
11 (Correction amount due to multiplication with credit conversion rates)	(2.804.361)	(2.294.016)
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	<b>5.732.455</b>	<b>5.481.031</b>
<b>Capital and total risk</b>		
13 Core Capital	5.053.660	4.009.392
14 Total risk amount (sum of lines 3, 6, 9 and 12)	47.826.907	46.770.242
<b>Leverage ratio</b>		
15 Leverage ratio	<b>10,57%</b>	<b>8,57%</b>

<sup>(1)</sup> The arithmetic average of the last three months in the related periods in accordance with BRSA Regulation.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value**

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

	Carrying Value	Fair Value
	Current Period	Current Period
<b>Financial Assets</b>	<b>38.108.870</b>	<b>37.948.343</b>
Money Market Placements	526.286	526.251
Banks	257.692	256.879
Available-For-Sale Financial Assets	4.199.510	4.199.510
Held-To-Maturity Investments	2.585.160	2.552.348
Loans <sup>(1)</sup>	30.540.222	30.413.355
<b>Financial Liabilities</b>	<b>36.120.317</b>	<b>35.651.040</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	27.884.642	27.884.642
Marketable Securities Issued <sup>(2)</sup>	8.107.413	7.638.136
Miscellaneous Payables	128.262	128.262

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	Carrying Value	Fair Value
	Prior Period	Prior Period
<b>Financial Assets</b>	<b>34.718.796</b>	<b>34.631.596</b>
Money Market Placements	573.613	573.613
Banks	807.231	807.231
Available-For-Sale Financial Assets	3.420.313	3.420.313
Held-To-Maturity Investments	2.154.941	2.033.904
Loans <sup>(1)</sup>	27.762.698	27.796.535
<b>Financial Liabilities</b>	<b>32.819.008</b>	<b>31.991.473</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	24.254.477	24.254.477
Marketable Securities Issued <sup>(2)</sup>	8.498.963	7.671.428
Miscellaneous Payables	65.568	65.568

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i-** For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii-** For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii-** For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)**

iv- For the fair value calculation of marketable securities, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	1	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.947.295	84.814	149.268
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	894.448	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	67.884	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	467.798	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	16.545	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	4.887	-	4.972
Financial Assets at Fair Value Through Other Comprehensive Income	3.260.050	72.786	82.581
Loans at Fair Value Through Profit or Loss	-	-	290.660
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	979.221	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	-	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	620.082	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	172.258	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)**

Real estates which are presented in the financial statements at fair value are classified at level 2; investment properties of companies included in consolidation are classified at level 2 and level 3.

**IX. Explanations related to transactions made on behalf of others and fiduciary transactions**

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

**X. Explanations related to consolidated risk management**

**Linkages between financial statements and risk amounts**

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

**Disclosures on the Risk management approach and risk-weighted amount**

Risk management approach of the Parent Bank allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

Risk management process is structured within the scope of related policies and practice principals that creates a risk culture throughout the company and has a framework which is coherent with international regulations in the manner of evaluation, analyzing, monitoring, and reporting operations. Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosures on the Risk management approach and risk-weighted amount (continued)**

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

**Overview of risk weighted assets**

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk)	37.712.816	33.258.400	3.017.025
2 Standardised approach	37.712.816	33.258.400	3.017.025
3 Internal rating-based approach	-	-	-
4 Counterparty credit risk	1.410.715	1.498.190	112.857
5 Standardised approach for counterparty credit risk	1.410.715	1.498.190	112.857
6 Internal model method	-	-	-
7 Basic risk weight approach to internal models 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	-	-	-
14 IRB supervisory formula approach	-	-	-
15 Simplified supervisory formula approach	-	-	-
16 Market risk	459.363	501.850	36.749
17 Standardised approach	459.363	501.850	36.749
18 Internal model approaches	-	-	-
19 Operational risk	2.029.776	1.521.866	162.382
20 Basic indicator approach	2.029.776	1.521.866	162.382
21 Standard approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.229.443	1.034.147	98.355
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>42.842.113</b>	<b>37.814.453</b>	<b>3.427.368</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts**

**Differences and linkage between scopes of accounting consolidation and regulated consolidation**

Current Period Assets	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Cash and balances at Central Bank	927.005	803.612	804.041	-	-	-	-
Banks	1.030.326	257.308	257.692	-	-	-	-
Money Market Placements	1.127.319	526.251	525.628	658	-	658	-
Financial Assets at Fair Value Through Profit or Loss	327.270	278.918	263.097	-	-	15.821	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.689.318	4.186.273	4.186.273	2.073.648	-	-	-
Financial Assets Measured at Amortized Cost	2.254.801	2.581.799	2.585.160	431.344	-	-	-
Derivative Financial Assets	1.118.120	962.331	-	962.331	-	294.215	-
Loans	29.594.910	30.655.975	31.516.616	-	-	-	-
Leasing Receivables	123.244	106.310	128.874	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations	-	64.403	64.403	-	-	-	-
Associates (net)	450.153	465.976	465.976	-	-	-	-
Subsidiaries (net)	-	5.109	5.109	-	-	-	-
Joint-Ventures (net)	-	2.250	2.250	-	-	-	-
Tangible Assets (net)	300.490	347.206	345.004	-	-	-	2.202
Intangible Assets (net)	3.956	5.074	-	-	-	-	5.074
Investment Properties (net)	247.999	273.918	273.918	-	-	-	-
Tax Assets	454	255	255	-	-	-	-
Deffered Tax Assets	31.259	39.930	39.930	-	-	-	-
Other Assets	702.163	690.113	648.976	42.567	-	-	-
<b>Total Assets</b>	<b>41.928.787</b>	<b>42.253.011</b>	<b>42.113.202</b>	<b>3.510.548</b>	-	<b>310.694</b>	<b>7.276</b>

<sup>(1)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2018 are used.  
<sup>(2)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.



**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)**

Current Period Liabilities	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Deposits	-	-	-	-	-	-	-
Funds Borrowed	25.907.225	26.628.325	-	913.928	-	-	-
Money Market Funds	391.731	1.197.367	-	1.031.214	-	-	-
Securities Issued	7.999.671	6.277.368	-	-	-	-	-
Funds	41.608	58.950	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	602.204	484.834	-	-	-	231.689	-
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	4.913	-	-	-	-	-
Provisions	142.916	264.166	-	-	-	-	-
Current Tax Liability	88.618	83.358	-	-	-	-	-
Deferred tax Liability	-	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	1.785.961	1.830.045	-	-	-	-	-
Other Liabilities	289.956	244.696	-	-	-	-	-
Shareholders' Equity	4.678.897	5.178.989	-	-	-	-	-
<b>Total Liabilities</b>	<b>41.928.787</b>	<b>42.253.011</b>	<b>-</b>	<b>1.945.142</b>	<b>-</b>	<b>231.689</b>	<b>-</b>

<sup>(1)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2018 are used.

<sup>(2)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)**

Prior Period Assets	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(2)</sup>	
Cash and Balances at Central Bank	1.011.829	742.985	743.228	-	-	-	-
Financial Assets Held for Trading	499.031	806.997	807.231	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	231	573.590	573.613	361	-	-	-
Bank	12.193	9.859	-	-	-	-	-
Money Market Placements	3.303.566	3.420.070	3.420.313	1.003.456	-	-	-
Financial Assets Available-for-Sale (net)	1.634.807	2.153.313	2.154.941	248.394	-	-	-
Loans and Receivables	816.058	979.221	-	979.221	-	447.224	-
Factoring Receivables	26.803.779	27.711.224	28.225.979	-	-	-	-
Investment Held-to-Maturity (net)	117.742	132.518	133.929	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	1	1	-	-	-	-
Joint-Ventures (net)	375.039	429.546	429.546	-	-	-	31.177
Finance Lease Receivables	-	4.609	4.609	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	1.760	1.760	-	-	-	-
Tangible Assets (net)	244.421	292.651	289.026	-	-	-	3.985
Intangible Assets (net)	2.594	4.872	-	-	-	-	4.872
Investment Properties	243.151	247.793	247.793	-	-	-	-
Tax Assets	4.562	3.575	3.575	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	50.336	3.844	3.844	-	-	-	-
Other Assets	620.533	751.012	686.422	-	-	-	65.909
<b>Total Assets</b>	<b>35.739.872</b>	<b>38.269.440</b>	<b>37.725.810</b>	<b>2.231.432</b>	<b>-</b>	<b>447.224</b>	<b>105.943</b>

<sup>(1)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2017 are used.

<sup>(2)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)**

Prior Period Liabilities	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(2)</sup>	
Deposits	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	22.679.295	23.819.670	-	757.816	-	-	23.061.854
Funds Borrowed	607.064	402.278	-	179.001	-	-	223.277
Money Market Funds	6.131.722	6.949.189	-	-	-	-	6.949.189
Securities Issued	21.302	32.529	-	-	-	-	32.529
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	790.080	792.340	-	-	-	359.639	432.701
Other Liabilities	-	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	39.228	261.276	-	-	-	-	261.276
Derivative Financial Liabilities Held for Risk Management	27.190	94.104	-	-	-	-	94.104
Provisions	-	-	-	-	-	-	-
Tax Liability	-	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	1.364.250	1.549.774	-	-	-	-	1.549.774
Subordinated Debts	222.799	184.204	-	-	-	-	184.204
Shareholders' Equity	3.856.942	4.184.076	-	-	-	-	4.184.076
<b>Total Liabilities</b>	<b>35.739.872</b>	<b>38.269.440</b>	-	<b>936.817</b>	-	<b>359.639</b>	<b>36.972.984</b>

<sup>(1)</sup>The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2017 are used.

<sup>(2)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

Current Period	Total	Credit Risk <sup>(1)</sup>	Securitization Positions	Counterparty credit risk <sup>(1)</sup>	Market risk <sup>(2)</sup>
1 Asset carrying value amount under scope of regulatory consolidation	42.253.011	42.113.202	-	3.467.981	310.694
2 Liabilities carrying value amount under regulatory scope of consolidation	42.253.011	-	-	1.945.142	231.689
<b>Total net amount</b>	<b>-</b>	<b>42.113.202</b>	<b>-</b>	<b>1.522.839</b>	<b>79.005</b>
3 Off-balance sheet amounts	65.271.742	3.957.333	-	393.837	-
4 Differences due to prudential filters	-	(451.674)	-	204.743	380.358
<b>Risk Amounts</b>	<b>-</b>	<b>45.618.861</b>	<b>-</b>	<b>2.121.419</b>	<b>459.363</b>

<sup>(1)</sup>The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

<sup>(2)</sup>The valuation amounts of financial instruments included in trading accounts in accordance with TAS are included

Prior Period	Total	Credit Risk <sup>(1)</sup>	Securitization Positions	Counterparty credit risk <sup>(1)</sup>	Market risk <sup>(2)</sup>
1 Asset carrying value amount under scope of regulatory consolidation	38.269.440	37.725.810	-	2.231.432	447.224
2 Liabilities carrying value amount under regulatory scope of consolidation	38.269.440	-	-	936.817	359.639
<b>Total net amount</b>	<b>-</b>	<b>37.725.810</b>	<b>-</b>	<b>1.294.615</b>	<b>87.585</b>
3 Off-balance sheet amounts	65.537.851	2.904.440	-	423.960	-
4 Differences due to prudential filters	-	(342.877)	-	120.598	414.265
<b>Risk Amounts</b>	<b>-</b>	<b>40.287.373</b>	<b>-</b>	<b>1.839.173</b>	<b>501.850</b>

<sup>(1)</sup>The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

<sup>(2)</sup>Gross position amounts included in the calculation of market risk are taken as basis.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Linkages between financial statements and risk amounts (continued)**

**The differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements (continued)**

There is no major differences between the financial and regulatory scope of consolidation.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Parent Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VIII. Disclosures on financial assets" in section "Accounting Policies" of section three of the report.

**Explanations on credit risk**

**General qualitative information on credit risk**

Credit risk is the possibility of incurring losses due to the credit fulfill customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations on credit risk (continued)**

**General qualitative information on credit risk (continued)**

**Credit quality of assets**

Current Period	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	1.107.772	35.262.027	911.456	35.458.343
2 Debt Securities	-	6.701.268	46.404	6.654.864
3 Off-balance sheet exposures	2.964	9.064.438	24.621	9.042.781
4 <b>Total</b>	<b>1.110.736</b>	<b>51.027.733</b>	<b>982.481</b>	<b>51.155.988</b>

Prior Period	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	597.210	32.124.533	507.264	32.214.479
2 Debt Securities	-	5.660.275	179.050	5.481.225
3 Off-balance sheet exposures	2.964	7.008.225	11.986	6.999.203
4 <b>Total</b>	<b>600.174</b>	<b>44.793.033</b>	<b>698.300</b>	<b>44.694.907</b>

**Changes in stock of default loans and debt securities**

Current Period	Balance
1 <b>Defaulted loans and debt securities at end of the previous reporting</b>	600.174
2 Loans and debt securities that have defaulted since the last reporting period	516.375
3 Receivables back to non-defaulted status	-
4 Amounts written off	-
5 Other changes	(5.813)
6 <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1.110.736</b>

Prior Period	Balance
1 <b>Defaulted loans and debt securities at end of the previous reporting</b>	<b>54.741</b>
2 Loans and debt securities that have defaulted since the last reporting period	640.289
3 Receivables back to non-defaulted status	-
4 Amounts written off	147.271
5 Other changes	52.415
6 <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>600.174</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations on credit risk (continued)**

**Additional disclosure related to the credit quality of assets**

The Parent Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Parent Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Parent Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

**Breakdown of receivables according to major regions, sectors and remaining maturities**

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Consolidated Credit Risk."

**Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions**

On the basis of major regions impaired loans of the bank consist of domestic receivables. On sectoral basis, the amount of the Bank's impaired loans and related provisions is presented in footnote II. "Information of major sectors or type of counterparties" under Section Four explanations consolidated credit risk explanations. The Parent Bank allocates 100% Provision for these receivables. The Bank has no written off receivables as of 31 December 2019 (31 December 2018: TL 147.271).

**The aging analysis of the receivables past due**

The aging analysis of the receivables past due is presented in footnote under Section Four II. "Explanations related to consolidated credit risk".

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Credit Risk Mitigation**

**Qualitative disclosure on credit risk mitigation techniques**

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial collaterals are assessed on a daily basis at the Parent Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed. The value of the real estates is determined by the valuation institutions authorized by the CMB.

Major collaterals that can be used by the Bank within the scope of credit risk mitigation techniques are financial collaterals, guarantees and mortgages. In the report dated 31 December 2019, financial collaterals, guarantees and mortgages were used as the credit risk reduction technique in the calculation of credit risk exposure.

**Credit risk mitigation techniques - Standard approach**

Current Period	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	33.363.272	1.904.349	1.647.757	190.722	146.979	-	-
2 Debt							
3 securities	6.654.864	-	-	-	-	-	-
3 <b>Total</b>	<b>40.018.136</b>	<b>1.904.349</b>	<b>1.647.757</b>	<b>190.722</b>	<b>146.979</b>	-	-
Of which							
4 default	1.107.772	-	-	-	-	-	-

Prior Period	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	30.440.714	1.535.601	1.296.045	236.730	188.947	-	-
2 Debt							
3 securities	5.481.225	-	-	-	-	-	-
3 <b>Total</b>	<b>35.921.939</b>	<b>1.535.601</b>	<b>1.296.045</b>	<b>236.730</b>	<b>188.947</b>	-	-
Of which							
4 default	597.210	-	-	-	-	-	-

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standard approach**

**Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk**

The related disclosures are presented footnote II "Explanations related to consolidated credit risk" in Section Four.

**Credit risk exposure and credit risk mitigation effects**

Current Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and 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	Risk weighted amount	Risk weighted amount density
<b>Risk Groups</b>						
1 Exposures to sovereigns and their central banks	7.326.880	215.340	7.473.859	43.067	2.271.937	30%
2 Exposures to regional and local governments	-	3.000	-	3.000	1.500	50%
3 Exposures to administrative bodies and noncommercial entities	1	5.987	1	1.197	1.198	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and securities firms	2.149.055	1.246.894	2.149.055	207.598	1.529.146	65%
7 Exposures to corporates	28.386.532	26.713.210	28.221.805	3.470.616	31.140.209	98%
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential real estate property	-	-	-	-	-	-
10 Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11 Past due receivables	1.107.772	-	749.429	-	748.763	100%
12 Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16 Other exposures	894.287	118.188	818.699	96.782	915.451	100%
17 Equity investments	654.308	-	654.308	-	1.391.974	213%
<b>18 Total</b>	<b>42.113.208</b>	<b>28.990.301</b>	<b>41.661.529</b>	<b>3.957.332</b>	<b>38.942.259</b>	<b>85%</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standard approach (continued)**

**Credit risk exposure and credit risk mitigation effects (continued)**

Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and 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	Risk weighted amount	Risk weighted amount density
<b>Risk Groups</b>						
1 Exposures to sovereigns and their central banks	6.058.395	186.912	6.245.788	37.382	1.628.438	26%
2 Exposures to regional and local governments	-	3.000	-	600	300	50%
3 Exposures to administrative bodies and noncommercial entities	-	11.946	-	2.389	2.389	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and securities firms	2.741.096	1.083.722	2.742.650	180.015	1.893.147	65%
7 Exposures to corporates	25.907.012	21.403.208	25.696.342	2.350.707	27.813.589	99%
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential real estate property	-	-	-	-	-	-
10 Exposures secured by commercial real estate property	1.154.961	240.271	1.154.961	233.618	694.289	50%
11 Past due receivables	597.210	-	427.721	-	424.469	99%
12 Exposures in higher-risk categories	-	107.404	-	1.114	1.380	124%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16 Other exposures	736.831	194.847	616.703	98.615	715.291	100%
17 Equity investments	498.767	-	498.767	-	1.119.256	224%
<b>18 Total</b>	<b>37.694.271</b>	<b>23.231.310</b>	<b>37.382.933</b>	<b>2.904.440</b>	<b>34.292.548</b>	<b>85%</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights**

Current Period Risk Groups/Risk Weight	50% Secured by Real Estate										Total Risk Amount (after CCR and CVA)
	0%	10%	20%	Property	75%	100%	150%	200%	250%		
1 Exposures to sovereigns and their central banks	5.244.989	-	-	-	-	2.271.937	-	-	-	-	7.516.926
2 Exposures to regional and local governments	-	-	-	3.000	-	-	-	-	-	-	3.000
3 Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.198	-	-	-	-	1.198
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and securities firms	-	-	853.632	289.203	-	1.213.818	-	-	-	-	2.356.653
7 Exposures to corporates	-	-	576.608	181.851	-	30.933.962	-	-	-	-	31.692.421
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by property	-	-	-	1.651.791	-	-	-	-	-	-	1.651.791
10 Past due receivables	-	-	-	3.212	-	744.337	1.880	-	-	-	749.429
11 Exposures in higher-risk categories	-	-	-	294	-	-	77.360	-	-	-	77.654
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
13 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
15 Equity investments	-	-	-	-	-	162.531	-	-	491.777	-	654.308
16 Other exposures	30	-	-	-	-	915.451	-	-	-	-	915.481
<b>17 Total</b>	<b>5.245.019</b>	<b>-</b>	<b>1.430.240</b>	<b>2.129.351</b>	<b>-</b>	<b>36.243.234</b>	<b>79.240</b>	<b>-</b>	<b>491.777</b>	<b>-</b>	<b>45.618.861</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights (continued)**

Prior Period Risk Groups/Risk Weight	50% Secured by Real Estate										Total Risk Amount (after CCR and CVA)	
	0%	10%	20%	Property	75%	100%	150%	200%	Others			
1 Exposures to sovereigns and their central banks	4.654.732	-	-	-	-	-	-	-	-	1.628.438	-	6.283.170
2 Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	-	-	600
3 Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	2.389	-	2.389
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and securities firms	-	-	1.122.881	262.426	-	1.537.358	-	-	-	-	-	2.922.665
7 Exposures to corporates	-	-	9.689	451.418	-	27.585.942	-	-	-	-	-	28.047.049
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by property	-	-	-	1.388.579	-	-	-	-	-	-	-	1.388.579
10 Past due receivables	-	-	-	8.247	-	417.732	1.742	-	-	-	-	427.721
11 Exposures in higher-risk categories	-	-	-	292	-	-	822	-	-	-	-	1.114
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
13 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
14 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity investments	-	-	-	-	-	85.108	-	-	413.659	-	-	498.767
16 Other exposures	27	-	-	-	-	715.292	-	-	-	-	-	715.319
<b>17 Total</b>	<b>4.654.759</b>	<b>-</b>	<b>1.132.570</b>	<b>2.111.562</b>	<b>-</b>	<b>31.972.259</b>	<b>2.564</b>	<b>-</b>	<b>413.659</b>	<b>-</b>	<b>-</b>	<b>40.287.373</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosures on counterparty credit risk (CCR)**

**Qualitative disclosures on CCR**

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

**Analysis of counterparty credit risk (CCR) exposure by approach**

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
<b>Current Period</b>						
1 Standardised Approach (for derivatives)	884.274	339.099	-	-	1.223.373	728.726
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.803	294.788
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>6 Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.023.514</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Analysis of counterparty credit risk (CCR) exposure by approach (continued)**

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
<b>Prior Period</b>						
1 Standardised Approach (for derivatives)	979.220	423.960	-	-	1.403.180	820.760
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	435.992	280.613
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
<b>6 Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.101.373</b>

**Credit valuation adjustment (CVA) for capital charge**

	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
<b>Current Period</b>		
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3*multiplier)	-	-
2 (ii) Stressed VaR component (including the 3*multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	1.223.373	381.915
<b>4 Total subject to the CVA capital charge</b>	<b>1.223.373</b>	<b>381.915</b>

	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
<b>Prior Period</b>		
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3*multiplier)	-	-
2 (ii) Stressed VaR component (including the 3*multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	1.403.180	396.817
<b>4 Total subject to the CVA capital charge</b>	<b>1.403.180</b>	<b>396.817</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations on counterparty credit risk (CCR)**

**Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk weights**

Current Period Risk Groups	Risk Weight									Total credit exposure <sup>(1)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	-	-	-	-	-	2.696	-	-	-	2.696
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	4.914	-	-	-	4.914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	547.577	1.023.200	-	7.550	-	-	-	1.578.327
Exposures to corporates	-	-	-	-	-	386.465	-	-	-	386.465
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	773	-	-	-	773
<b>Total</b>	-	-	<b>547.577</b>	<b>1.023.200</b>	-	<b>402.398</b>	-	-	-	<b>1.973.175</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Explanations on counterparty credit risk (CCR) (continued)**

**Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk weights (continued)**

Prior Period Risk Classes	Risk Weight									Total credit exposure <sup>(1)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	-	-	-	-	-	154	-	-	-	154
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.099	-	-	-	1.099
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	293.444	1.006.089	-	57	-	-	-	1.299.590
Exposures to corporates	-	-	-	-	-	534.856	-	-	-	534.856
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	3.474	-	-	-	3.474
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>293.444</b>	<b>1.006.089</b>	-	<b>539.640</b>	-	-	-	<b>1.839.173</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.



**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosures on counterparty credit risk (CCR) (continued)**

**Collaterals used for CCR**

Current Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	491.072	-
Cash - foreign currency	-	-	-	-	1.454.070	-
Domestic sovereign debt	-	-	-	-	658	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.945.800</b>	<b>-</b>

Prior Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	163.910	-
Cash - foreign currency	-	-	-	-	773.267	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>937.177</b>	<b>-</b>

**Credit derivatives**

None (31 December 2018 : None).

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Exposure to central counterparties (CCP)**

Current Period	Exposure at Default Post - CRM	RWA
<b>Exposure to Qualified Central Counterparties (QCCPs) Total</b>	241.802	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	148.244	2.964
(i) OTC Derivatives	127.470	2.549
(ii) Exchange-traded Derivatives	5.324	106
(iii) Securities financing transactions	15.449	309
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	22.880	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	70.678	2.317
Unfunded default fund contributions	-	-
<b>Exposures to non- Central Counterparties (QCCPs) Total</b>	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

**Explanations on securitizations**

None (31 December 2018 : None).

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosures on market risk**

**Qualitative information to be disclosed to public concerning market risk**

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

**Market Risk-standard approach**

	Risk Weighted Amount (RWA)	
	Current Period	Prior Period
<b>Outright products</b>	-	-
1 Interest rate risk (general and specific)	257.900	218.825
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	201.301	283.025
4 Commodity risk	-	-
<b>Options</b>	-	-
5 Simplified approach	-	-
6 Delta-plus method	162	-
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>459.363</b>	<b>501.850</b>

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management (continued)**

**Disclosure on operational risk**

**Information to be disclosed to the public regarding operational risk**

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2016	31/12/2017	31/12/2018	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	739.710	1.034.921	1.473.010	1.082.547	15	162.382
Capital Requirement for Operational Risk (Total*12,5)						2.029.776

	31/12/2015	31/12/2016	31/12/2017	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	660.354	739.710	1.034.921	811.662	15	121.749
Capital Requirement for Operational Risk (Total*12,5)						1.521.866

**Disclosures on interest rate risk resulting from banking book**

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

**The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.**

Current Period			
Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(157.080)/144.247	(2,08%)/1,91%
Euro	+200/(200) basis point	57.159/(4.926)	0,76%/(0,07%)
US Dollar	+200/(200) basis point	(258.991)/276.863	(3,42%)/3,66%
<b>Total (for Negative Shocks)</b>		<b>416.184</b>	<b>5,50%</b>
<b>Total (for Positive Shocks)</b>		<b>(358.912)</b>	<b>(4,74%)</b>

Prior Period			
Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(127.184)/114.525	(2,10%)/1,89%
Euro	+200/(200) basis point	99.169/(35.554)	1,64%/(0,59%)
US Dollar	+200/(200) basis point	90.703/(123.367)	1,65%/(2,04%)
<b>Total (for Negative Shocks)</b>		<b>(44.397)</b>	<b>(0,73%)</b>
<b>Total (for Positive Shocks)</b>		<b>71.688</b>	<b>1,18%</b>

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and disclosures related to the consolidated assets**

**1.a Information on cash and balances with the Central Bank of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	29	-	27	-
Balances with the Central Bank of Turkey	484	803.528	6.326	736.875
Other	-	-	-	-
<b>Total</b>	<b>513</b>	<b>803.528</b>	<b>6.353</b>	<b>736.875</b>

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	484	7.461	6.326	6.602
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(2)</sup>	-	796.067	-	730.273
<b>Total</b>	<b>484</b>	<b>803.528</b>	<b>6.326</b>	<b>736.85</b>

<sup>(1)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

<sup>(2)</sup> Provision amounting to TL 429 is allocated in "Balances with the Central Bank of Turkey" (31 December 2018: TL 243)

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. Interest rate for the required reserves in Turkish Lira is paid effective rate since 21 September 2018.

The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

On 20 August, 2019 Central Bank of the Republic of Turkey changed the required reserves and TL reserve requirement ratio, excluding loans granted to banks with loans indexed to foreign banks, TL denominated cash on standard loans and close monitoring loans have been associated with annual growth rates of the total. Accordingly, TL required reserve ratios have been reduced for the banks whose loan growth is between 10 and 20 percent, while the reserve requirement ratios for other banks have not been changed. As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 September 2019 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Until 1 year maturity (1 year include)	7
1-3 year maturity (3 year include)	3,5
More than 3 year maturity	1
Original Maturity	Reserve Ratio
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

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

**2 Information on financial assets at fair value through profit and loss:**

**2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:**

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage. (31 December 2018:None)

**2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:**

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements. (31 December 2018:None)

**2.c Positive differences related to derivative financial assets :**

Derivative Instruments <sup>(1)</sup>	Current Period		Prior Period	
	FC	TL	FC	FC
Forward Transactions	44.124	163	151.345	1.008
Swap Transactions	609.141	231.423	605.869	161.353
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>653.265</b>	<b>241.182</b>	<b>757.214</b>	<b>222.007</b>

<sup>(1)</sup> Derivative Financial Assets for Hedging Purposes amounting to TL 67.884 are presented in the "Derivative Financial Assets" account in accordance with the financial statement format with effective date of 1 January 2019. (31 December 2018 : None)

As part of its economic hedging strategy, the Parent Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 245 million as of 31 December 2019 is TL 514.980 and the average rates are between 2020 and 2023.

**2.d Loans at Fair Value Through Profit or Loss:**

Net Book Value	Current Period	Prior Period
Loans at Fair Value Through Profit or Loss	263.097	290.660

As explained in part 5 Note 1.16, it includes the loan extended to the special purpose company . The related loan is monitored as loans whose fair value through profit or loss within the scope of TFRS 9. As of 31 December 2019, the study results of an independent valuation company are based on in determining the fair value.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. Information on banks and foreign bank accounts**

**3.a Information on banks:**

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	12.973	185.230	36.469	735.123
Foreign	-	59.489	-	35.639
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>12.973</b>	<b>244.719</b>	<b>36.469</b>	<b>770.762</b>

<sup>(1)</sup> Provision amounting to TL 384 is allocated in "Banks"(31 December 2018: TL 234)

**3.b Information on banks and foreign bank accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.779	1.597	-	-
USA and Canada	50.431	32.303	-	-
OECD Countries <sup>(1)</sup>	7.279	1.739	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>59.489</b>	<b>35.639</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries other than European Union countries, USA and Canada.

**4. Available-for-sale financial assets subject to repurchase agreements:**

**4.a.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:**

	Current Period		Prior Period	
	TP	YP	TP	YP
Government bonds	287.144	542.673	16.347	155.306
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>287.144</b>	<b>542.673</b>	<b>16.347</b>	<b>155.306</b>

**4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:**

As of balance sheet date, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.827.696.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

**4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage: (continued):**

	Current Period		Prior Period	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	749.163	1.078.533	634.489	819.159
Other	-	-	-	-
<b>Total</b>	<b>749.163</b>	<b>1.078.533</b>	<b>634.489</b>	<b>819.159</b>

**4.b Major types of financial assets at fair value through other comprehensive income:**

Financial assets at fair value through other comprehensive income comprised of government bonds 47,81%, Eurobonds 45,92% and shares and other securities 5,28%. (31 December 2018 : government bonds 58,72%, Eurobonds 34,06% and shares and other securities 7,22%.)

**4.c Information on financial assets at fair value through other comprehensive income:**

	Current Period	Prior Period
Debt securities	4.107.611	3.503.459
Quoted on a stock exchange	2.155.330	2.252.288
Unquoted	1.952.281	1.251.171
Share certificates	126.600	99.306
Quoted on a stock exchange	20.662	10.533
Unquoted	105.938	88.773
Impairment provision(-)	47.938	182.695
<b>Total</b>	<b>4.186.273</b>	<b>3.420.070</b>

There is no provision for "Financial Assets at Fair Value Through Other Comprehensive Income"

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 95.907. (31 December 2018: TL 74.261)

**5. Explanation on loans**

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	251.238	-	102.776	-
Corporate shareholders	251.238	-	102.776	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	740	-	662	-
<b>Total</b>	<b>251.978</b>	<b>-</b>	<b>103.438</b>	<b>-</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanation on loans**

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:**

**5.b.1 Loans measured at Fair Value through Profit/Loss:**

Current Period	Net Book Value
Loans Measured at Fair Value through Profit/Loss <sup>(1)</sup>	263.097

<sup>(1)</sup>Include the loan granted to the special purpose entity as detailed in Section Five Note 16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

**5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans**

Current Period <sup>(1)</sup>	Loans Under Close Monitoring			
	Cash Loans	Standard Loans	Loans Not Subject to Restructuring	Amendments on Conditions of Contract
				Loans with Revised Contract Terms
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.075.576	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.600.514	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	216.424	-	-	-
<b>Total</b>	<b>27.078.581</b>	<b>803.006</b>	<b>1.696.477</b>	<b>830.780</b>

<sup>(1)</sup> According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.648.486 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanations on loans (continued)**

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans: (continued)**

**5.b.2 Loans at measured amortized cost**

Prior Period <sup>(1)</sup>	Cash Loans	Standard Loans	Loans Under Close Monitoring	
			Loans Not Subject to Restructuring	Amendments on Conditions of Contract
				Loans with Revised Contract Terms
Non-specialized loans	24.556.445	1.716.827	219.817	716.255
Working Capital loans	2.761.098	35.345	-	716.255
Export loans	443.697	-	66.900	-
Import loans	-	-	-	-
Loans given to financial sector	2.986.797	-	-	-
Consumer loans	662	-	-	-
Credit cards	-	-	-	-
Other	18.364.191	1.681.482	152.917	-
Specialized loans	-	-	-	-
Other receivables	128.765	-	-	-
<b>Total</b>	<b>24.685.210</b>	<b>1.716.827</b>	<b>219.817</b>	<b>716.255</b>

<sup>(1)</sup> According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.168.405 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	174.056	-	135.537	-
Significant Increase in Credit Risk	-	350.807	-	211.140

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanations on loans (continued)**

**5.c Loans according to their maturity structure:**

	Loans			
	Standard Loans	Under Close Monitoring		
		Nonrestructured	Restructured	
<b>Current Period <sup>(*)</sup></b>				
Short-term loans	3.905.313	-	69.185	
Non-specialized loans	3.688.889	-	69.185	
Specialized loans	-	-	-	
Other receivables	216.424	-	-	
Orta ve Uzun Vadeli Krediler	23.173.268	-	733.821	
Non-specialized loans	23.173.268	-	733.821	
Specialized loans	-	-	-	
Other receivables	-	-	-	

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.

	Loans			
	Standard Loans	Under Close Monitoring		
		Nonrestructured	Restructured	
<b>Current Period <sup>(*)</sup></b>				
Short-term loans	1.335.812	324.260	66.900	
Non-specialized loans	1.207.047	324.260	66.900	
Specialized loans	-	-	-	
Other receivables	128.765	-	-	
Orta ve Uzun Vadeli Krediler	23.349.398	1.392.567	869.172	
Non-specialized loans	23.349.398	1.392.567	869.172	
Specialized loans	-	-	-	
Other receivables	-	-	-	

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the assets (continued)**

**5. Explanations on loans (continued)**

**5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	76	664	740
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	76	664	740
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>76</b>	<b>664</b>	<b>740</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

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

**5. Explanations on loans (continued)**

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	65	597	662
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	65	597	662
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>65</b>	<b>597</b>	<b>662</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanations on loans (continued)**

**5.e Information on commercial loans with instalments and corporate credit cards:**

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2018: None).

**5.f Loans according to borrowers:**

	Current Period	Prior Period
Public	942.805	584.752
Private	29.466.039	27.044.017
<b>Total</b>	<b>30.408.844</b>	<b>27.628.769</b>

<sup>(\*)</sup>Includes fair value through profit or loss loans

**5.g Domestic and foreign loans:**

	Current Period	Prior Period
Domestic Loans	30.296.704	27.529.071
Foreign Loans	112.140	99.698
<b>Total</b>	<b>30.408.844</b>	<b>27.628.769</b>

<sup>(\*)</sup>Includes fair value through profit or loss loans

**5.h Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	545.560	437.232
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>545.560</b>	<b>437.232</b>

**5.i Specific provisions provided against loans or default (Stage 3) provisions:**

	Current Period	Prior Period
Loans and receivables with limited collectability	184.323	12.730
Loans and receivables with doubtful collectability	120.078	104.433
Uncollectible loans and receivables	53.942	52.326
<b>Total</b>	<b>358.343</b>	<b>169.489</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanations on loans (continued)**

**5.j Information on non-performing loans (net):**

**5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period</b>			
Gross amounts before provisions	-	592.614	37.567
Restructured loans	-	592.614	37.567
<b>Prior Period</b>			
Gross amounts before provisions	1.936	-	39.951
Restructured loans	1.936	-	39.951

**5.j.2 Movement of non-performing loans:**

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Prior Period End Balance</b>	<b>22.719</b>	<b>522.165</b>	<b>52.326</b>
Additions (+)	459.570	46.845	9.959
Transfers from Other Categories of Non-performing Loans (+)	-	22.779	8.215
Transfers to Other Categories of Non-performing Loans (-)	(22.779)	(8.215)	-
Collections (-)	(1.640)	(68.616)	(14.761)
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
<b>Current Period End Balance</b>	<b>457.905</b>	<b>594.045</b>	<b>55.822</b>
Provisions (-)	184.323	120.078	53.942
<b>Net Balance on Balance Sheet</b>	<b>273.582</b>	<b>473.967</b>	<b>1.880</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanations on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.2 Movement of non-performing loans (continued):**

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Prior Period</b>			
<b>Prior Period End Balance</b>	<b>985</b>	<b>4.894</b>	<b>47.696</b>
Additions (+)	490.340	-	148.151
Transfers from Other Categories of Non-performing Loans (+)	-	469.603	4.894
Transfers to Other Categories of Non-performing Loans (-)	469.603	4.894	-
Collections (-)	319	7.637	1.144
Write-offs (-) <sup>(1)</sup>	-	-	147.271
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	1.316	60.199	-
<b>Current Period End Balance</b>	<b>22.719</b>	<b>522.165</b>	<b>52.326</b>
Provisions (-)	12.730	104.433	52.326
<b>Net Balance on Balance Sheet</b>	<b>9.989</b>	<b>417.732</b>	<b>-</b>

<sup>(1)</sup>The shares that OTAŞ owns and which constitute 55% of Türk Telekom's issued capital are acquired by a company that is established or will be established for private purposes by creditors within the scope of restructuring of loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom). The portion of OTAŞ current exposure exceeding Türk Telekom's share value is written off. This amount which is written according to the ownership rate USD 28 million (TL 146.730 thousands).

**5.j.3 Information on foreign currency non-performing loans and other receivables:**

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	10.306	592.614	34.215
Provision (-)	3.223	118.878	32.335
<b>Net Balance on Balance Sheet</b>	<b>7.083</b>	<b>473.736</b>	<b>1.880</b>
<b>Prior Period:</b>			
Period End Balance	2.098	522.165	32.126
Specific Provision (-)	356	104.433	32.126
<b>Net Balance on Balance Sheet</b>	<b>1.742</b>	<b>417.732</b>	<b>-</b>



**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Explanations on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:**

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	457.905	594.045	50.924
Provision Amount (-)	184.323	120.078	49.044
Loans to Real Persons and Legal Entities (Net)	273.582	473.967	1.880
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.898
Provision Amount (-)	-	-	4.898
Other Loans and Receivables (Net)	-	-	-

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	22.719	522.165	47.490
Provision Amount (-)	12.730	104.433	47.490
Loans to Real Persons and Legal Entities (Net)	9.989	417.732	-
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.836
Provision Amount (-)	-	-	4.836
Other Loans (Net)	-	-	-

**5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:**

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>	<b>7</b>	<b>62.652</b>	<b>75</b>
Interest Accruals and Rediscount with Valuation Differences	7.728	90.769	83
Provision amount (-)	7.721	28.117	8
<b>Prior Period (Net)</b>	<b>1.089</b>	<b>48.159</b>	<b>-</b>
Interest Accruals and Rediscount with Valuation Differences	1.316	60.199	-
Provision amount (-)	227	12.040	-

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5.k Main principles of liquidating non-performing loans and receivables:**

If there are collaterals received in according to Article 13 of the "Regulation on the Procedures And Principles For Determination of Qualifications of Loans and Other Receivables By Banks And Provisions to be Set Aside", these collaterals are converted into cash as soon as possible as a result of both administrative and legal proceedings.

In the absence of collaterals, even if there is evidence of insolvency for the debtor, several financial investigations are apply at various periods to determine whether any property are subsequently acquired and legal proceedings are being followed.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

**5.l Explanations about the write-off policies from the assets:**

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

**6. Information on held-to-maturity investments**

**6.a The information was subjected to repo transactions and given as collateral/blocked amount of investments :**

	Current Period		Prior Period	
	TP	FC	TP	FC
Collateralised/Blocked Investments	737.176	26.554	39.757	46.078
Subject to Repurchase Agreements	330.755	100.588	-	248.394
<b>Total</b>	<b>1.067.931</b>	<b>127.142</b>	<b>39.757</b>	<b>294.472</b>

**6.b Information on government debt investments held-to-maturity:**

	Current Period	Prior Period
Government Bonds	2.585.160	2.154.941
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**6.c Information on held-to-maturity investments :**

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	2.285.894	1.735.522
Not Quoted	299.266	419.419
<b>Impairment provision (-)</b>	-	-
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**6.d Movement of held-to-maturity investments within the year :**

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>2.154.941</b>	<b>1.532.047</b>
Foreign Currency Differences on Monetary Assets	58.982	51.793
Purchases During The Period	433.812	227.528
Disposals Through Sales And Redemptions (-)	195.251	-
Impairment Provision (-)	-	-
Interest Income Accruals	132.676	343.573
<b>Balance at End of Period</b>	<b>2.585.160</b>	<b>2.154.941</b>

<sup>(1)</sup> Provision amounting to TL 3.360 is allocated in "Financial asset measured at amortized cost".(31 December 2018: TL 1.628)

**7. Information on investments in associates (net):**

**7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:**

Unconsolidated non-financial associates are valued at cost.

**7.a.2 Information on unconsolidated associates:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
2 Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1 Terme <sup>(1)</sup>	22.515	5.230	1.554	-	-	(35)	(30)	-
2 Ege Tarım	15.242	14.161	8.130	-	-	2.459	1.730	-

<sup>(1)</sup> Represents for the period ended 30 September 2019 financial statements. Prior year profit/loss is obtained from 30 September 2018 financial statements.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on investments in associates (net) (continued)**

**7.a.2 Information on unconsolidated associates: (continued)**

**Information on associates disposed in the current period**

In the current period the Group has not disposed any associates.

**Information on associates purchased in the current period**

In the current period the Group has not purchased any associates.

**7.a.3 Information on the consolidated associates:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2 İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	60,92
3 İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 İş Faktoring	3.265.258	300.390	1.328	463.111	-	(23.452)	147.016	78.535
2 İş Finansal	9.088.358	1.273.725	12.417	943.836	-	84.106	197.536	785.806
3 İş Girişim	265.801	261.774	1.715	9.276	1.126	1.736	3.211	48.649

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>428.490</b>	<b>355.795</b>
Movements During the Period	36.430	72.695
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/Decrease <sup>(1)</sup>	-	88.213
Provision for Impairment (-)	36.430	-
Other	-	(15.518)
<b>Balance at the End of the Period</b>	<b>464.920</b>	<b>428.490</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup> Includes accounting differences with the equity method.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on investments in associates (net) (continued)**

**7.a.3 Information on the consolidated associates: (continued)**

**Information on associates disposed in the current period**

In the current period the Group has not disposed any associates.

**Information on associates purchased in the current period**

In current period the Group has not purchased any associates.

**7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:**

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	65.335	65.494
Leasing Companies	355.956	319.645
Financial Service Companies	-	-
Other Financial Associates	43.629	43.351

**7.a.5 Information on consolidated associates quoted on stock market:**

	Cari Dönem	Önceki Dönem
Associates Quoted on Domestic Stock Markets	399.584	362.996
Associates Quoted on Foreign Stock Markets	-	-

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8. Information related to subsidiaries (net)**

**8.a.1 Information related to equity component of subsidiaries:**

	YF Current Period <sup>(1)</sup>	TSKB GYO Current Period	Yatırım VKŞ Current Period
<b>CORE CAPITAL</b>			
Paid-in Capital	63.500	300.000	150
Share Premium	-	593	-
Legal Reserves	3.681	8.683	-
Other Comprehensive Income/Loss according to TAS	19.994	-	-
Current and Prior Years' Profit	30.802	1.568	23
Leasehold Improvements (-)	404	-	-
Intangible Assets (-)	1.013	18	9
<b>Total Core Capital</b>	<b>116.560</b>	<b>310.826</b>	<b>164</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Available Capital</b>	<b>116.560</b>	<b>310.826</b>	<b>164</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2019.

	YF Prior Period <sup>(1)</sup>	TSKB GYO Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	63.504	300.000
Share Premium	-	593
Legal Reserves	2.833	8.777
Other Comprehensive Income according to TAS	17.261	-
Current and Prior Years' Profit/Loss	18.249	(44.614)
Leasehold Improvements (-)	360	-
Intangible Assets (-)	714	28
<b>Total Core Capital</b>	<b>100.773</b>	<b>264.728</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>-</b>	<b>-</b>
<b>Net Available Capital</b>	<b>100.773</b>	<b>264.728</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2018.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102. The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8. Information related to subsidiaries (net) (continued)**

**8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:**

TSKB Gayrimenkul Değerleme A.Ş., and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

**8.a.3 Information related to unconsolidated subsidiaries:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Türkiye	99,99	99,99
2 TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	95,78	98,51

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 TSKB GMD <sup>(1)</sup>	22.390	18.857	1.134	2.074	-	2.729	2.283	-
2 TSKB SD	3.123	2.928	20	572	-	92	(1.407)	3.800

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 30 September 2019. Prior period income/loss is obtained from financial statements as of 30 September 2018.

**8.a.4 Information related to consolidated subsidiaries:**

Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 Yatırım Finansman Menkul Değerler A.Ş.(YF)	Istanbul/Turkey	95,78	98,51
2 TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	85,41	89,49
3 Yatırım Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF <sup>(1)</sup>	786.964	117.977	9.782	56.343	1.324	16.575	11.619	101.342
TSKB GYO <sup>(1)</sup>	575.937	310.844	296	1.715	-	46.186	(61.455)	346.953
Yatırım VKŞ <sup>(1)</sup>	150.647	173	-	-	-	23	-	150

<sup>(1)</sup> The consolidated financial data of the subsidiaries are prepared in accordance with BRSB regulations.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8. Information related to subsidiaries (net) (continued)**

**8.a.4 Information related to consolidated subsidiaries (continued):**

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>301.178</b>	<b>134.976</b>
Movements During the Period	147.517	166.202
Purchases	400	164.494
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	147.117	2.900
Provision for Impairment	-	(1.192)
<b>Balance At the End of the Period</b>	<b>448.695</b>	<b>301.178</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

**Subsidiaries disposed in the current period**

In the current period, the Group has not disposed any subsidiaries.

**Subsidiaries purchased in the current period**

The Bank classified security investments of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSGYO) from "financial assets at fair value through other comprehensive income" to "subsidiaries" in the prior period. In the Board of Directors meeting of the Bank held on 27 August 2018, was decided 100% Capital increase over the nominal value because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company and the Bank participated in the capital increase of TL 150 mio in 30 November 2018.

In addition, in the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded in the stock market until a nominal share of TL 10 million within the next one year and the shares received under this program are accounted "Financial Assets at Fair Value Through Profit and Loss". After this participation, the share of the Bank increased from 70,84% to 88,67%.

The Parent Bank and YFAŞ made a capital contribution commitment of TL 2,8 and 0,7 million, respectively, for the TL 3,5 million cash capital increase of TSKB Sustainability Consultancy Inc., Participated by paying 2,4 and 0,6 million TL respectively as of 19 December 2018. On 21 November 2019, participation was achieved by paying 0,4 million TL and 0,1 million TL, respectively.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8. Information on subsidiaries (net) (continued)**

**8.a.5 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:**

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	448.695	301.178

**8.a.6 Subsidiaries subject to consolidation quoted on stock market:**

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	346.953	211.144
Subsidiaries quoted on foreign stock exchanges	-	-

**9. Information related to entities under common control**

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The capital structure of the Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute, and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (previous name "Palmira Turizm Ticaret A.Ş.").

The capital structure of Anavarza Otelcilik Anonim Şirketi is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care.

Hotel Project Ordinary Partnership Commercial Enterprise, owned by TSKB GYO with 50% -50% Bilici Yatırım Sanayi ve Ticaret Anonim Şirketi, together with all its assets and liabilities, as a whole, by changing the type of "Yarsuvat Turizm Anonim Şirketi" It has been transformed into a company named ".

Bilici Yatırım TSKB GYO Adana Hotel Project Ordinary Partnership Commercial Enterprise was transformed into Yarsuvat Turizm Anonim Şirketi and after the conversion, the transfer of the Adana Chamber of Commerce to Anavarza Otelcilik A.Ş. and 9647 numbered Merger document on 20 December 2019.

	Total Assets	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit/Loss	Prior Year Profit/Loss	Fair Value
Anavarza Otelcilik	10.238	(3.027)	1.332	187	-	803	-

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**10. Information on finance lease receivables (net)**

**10.a Maturities of investments on finance leases:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	36.531	34.243	31.462	27.962
Between 1- 4 years	93.678	85.056	88.470	78.539
More than 4 years	10.759	9.575	31.170	27.428
<b>Total</b>	<b>140.968</b>	<b>128.874</b>	<b>151.102</b>	<b>133.929</b>

A provision amounting to TL 22.564 (31 December 2018: TL 1.411) was provided for the "Financial Lease Receivables" account.

**10.b The information on net investments in finance leases:**

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>140.968</b>	<b>151.102</b>
Unearned revenue from finance leases (-)	12.094	17.173
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>128.874</b>	<b>133.929</b>

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

**11. Information on derivative financial assets for hedging purposes**

There is differences on derivative financial instruments held for hedging purposes amounting to TL 67.884 (31 December 2018: None).

As of 31 December 2019, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	16.520.430	67.884	(16.545)	18.028.129	-	(172.258)
FC	16.520.430	67.884	(16.545)	18.028.129	-	(172.258)
TL	-	-	-	-	-	-

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**11. Information on derivative financial assets for hedging purposes (continued)**

**11.a.1 Information on fair value hedge accounting**

<b>Current Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item <sup>(1)</sup></b>	<b>Fair Value of Hedging Instrument <sup>(1)</sup></b>		<b>Income St Effect (Profit/Loss Through Derivative Financial Instruments)</b>
				<b>Aktif</b>	<b>Pasif</b>	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	127.988	-	(137.854)	(9.866)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	20.723	-	(21.390)	(667)

<sup>(1)</sup> The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

<b>Prior Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item <sup>(1)</sup></b>	<b>Fair Value of Hedging Instrument <sup>(1)</sup></b>		<b>Income St Effect (Profit/Loss Through Derivative Financial Instruments)</b>
				<b>Asset</b>	<b>Liability</b>	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	127.988	-	(137.854)	(9.866)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	20.723	-	(21.390)	(667)

<sup>(1)</sup> The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Information on tangible assets (net)**

Since the third quarter of 2015, the Group has changed its accounting policy and adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2019 and are not accounted as there is no significant change with the valuation amount recorded in the previous period.

<b>Current Period</b>	<b>Prior Period End</b>	<b>Current Period Additions</b>	<b>Current Period Disposals</b>	<b>Revaluation Surplus</b>	<b>Current Period End</b>
<b>Cost</b>					
Land and buildings	291.924	41	-	49.105	341.070
Assets held under finance leases	5.192	-	(2.330)	-	2.862
Vehicles	1.000	2.348	(813)	-	2.535
Right to use Securities	-	6.997	(455)	-	6.542
Assets held for resale	-	-	-	-	-
Other	30.040	5.652	(7.280)	-	28.412
<b>Total Cost</b>	<b>328.156</b>	<b>15.038</b>	<b>(10.878)</b>	<b>49.105</b>	<b>381.421</b>
<b>Accumulated depreciation</b>					
Land and buildings	(818)	(236)	-	-	(1.054)
Assets held under finance leases	(5.096)	-	208	2.013	(2.875)
Vehicles	(852)	(191)	771	-	(272)
Right to use Securities	-	(1.949)	24	-	(1.925)
Assets held for resale	-	-	-	-	-
Other	(28.739)	(4.335)	6.998	(2.013)	(28.089)
<b>Total accumulated depreciation</b>	<b>(35.505)</b>	<b>(6.711)</b>	<b>8.001</b>	<b>-</b>	<b>(34.215)</b>
<b>Impairment provision</b>					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Right to use Securities	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>292.651</b>	<b>8.327</b>	<b>(2.877)</b>	<b>49.105</b>	<b>347.206</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Information on fair value hedge accounting (continued)**

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other <sup>(1)</sup>	Current Period End
Cost						
Land and buildings	242.240	2.719	-	46.965	-	291.924
Assets held under finance leases	5.221	-	(29)	-	-	5.192
Vehicles	1.057	-	(57)	-	-	1.000
Assets held for resale	-	-	-	-	-	-
Other	28.988	2.170	(1.118)	-	-	30.040
<b>Total Cost</b>	<b>277.506</b>	<b>4.889</b>	<b>(1.204)</b>	<b>46.965</b>	-	<b>328.156</b>
Accumulated depreciation						
Land and buildings	(278)	(20)	-	(520)	-	(818)
Assets held under finance leases	(5.093)	(32)	29	-	-	(5.096)
Vehicles	(703)	(206)	57	-	-	(852)
Assets held for resale	-	-	-	-	-	-
Other	(25.634)	(4.201)	1.096	-	-	(28.739)
<b>Total accumulated depreciation</b>	<b>(31.708)</b>	<b>(4.459)</b>	<b>1.182</b>	<b>(520)</b>	-	<b>(35.505)</b>
Impairment provision						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	-	-	-	-	-	-
<b>Net book value</b>	<b>245.798</b>	<b>430</b>	<b>(22)</b>	<b>46.445</b>	-	<b>292.651</b>

**13. Information on intangible assets**

**13.a Useful lives and amortization rates used:**

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

**13.b Amortization methods used:**

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**13. Information on intangible assets (continued)**

**13.c Cost and accumulated amortization at the beginning and end of the period:**

Current Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	9.041	(1.964)	11.946	(6.872)
Goodwill	1.005	-	1.005	-

Prior Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	6.537	(3.957)	9.042	(5.175)
Goodwill	1.005	-	1.005	-

**13.d Movement of cost and accumulated amortization for the period:**

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	115	9	-	124
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>1.120</b>	<b>9</b>	-	<b>1.129</b>
Accumulated Amortization				
Software	8.839	2.070	(187)	10.722
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>8.839</b>	<b>2.070</b>	<b>(187)</b>	<b>10.722</b>
Impairment Provision				
Software	(5.087)	(1.877)	187	(6.777)
<b>Total Impairment Provision</b>	-	-	-	-
<b>Net Book Value</b>	<b>4.872</b>	<b>202</b>	-	<b>5.074</b>

Prior Period	Closing Balance of Prior Period		Current Year Additions		Current Year Disposals		Closing Balance of Current Period
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	
Cost							
Software	6.537	(3.957)	2.543	(1.219)	(38)	1	9.042
Goodwill	1.005	-	-	-	-	-	1.005
<b>Total Cost</b>	<b>7.542</b>	<b>(3.957)</b>	<b>2.543</b>	<b>(1.219)</b>	<b>(38)</b>	<b>1</b>	<b>10.047</b>
Accumulated Amortization							
Software	(3.957)	(1.219)	-	-	-	-	(5.175)
Goodwill	-	-	-	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(3.957)</b>	<b>(1.219)</b>	<b>(1.219)</b>	<b>(1.219)</b>	<b>1</b>	<b>1</b>	<b>(5.175)</b>
Impairment Provision							
Software	-	-	-	-	-	-	-
<b>Total Impairment Provision</b>	-	-	-	-	-	-	-
<b>Net Book Value</b>	<b>3.585</b>	<b>(3.957)</b>	<b>1.324</b>	<b>(1.219)</b>	<b>(37)</b>	<b>(37)</b>	<b>4.872</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**13. Information on intangible assets (continued)**

**13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:**

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2018: None).

**13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:**

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2018: None).

**13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:**

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2018: None).

**13.h The book value of intangible assets that are pledged or restricted for use:**

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2018: None).

**13.i Amount of purchase commitments for intangible assets:**

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2018: None).

**13.j Information on revalued intangible assets according to their types:**

The Group did not revalue its intangible assets as at the reporting date (31 December 2018: None).

**13.k Amount of total research and development expenses recorded in income statement within the period, if any:**

The Group has no research and development costs expensed in the current period (31 December 2018: None).

**13.l Information on goodwill:**

Goodwill on Consolidation	Effective Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**13. Information on intangible assets (continued)**

**13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:**

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
<b>Net Value at the End of Period</b>	<b>1.005</b>	<b>1.005</b>

**13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:**

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2018: None).

**14. Information on investment properties**

In the current period, the Group has three investment properties with a net book value of TL 273.918 (31 December 2018: TL 247.793) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 December 2019 and 31 December 2018 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	28.130	-	-	8.830	36.960
Pendorya Mall	154.155	1.657	-	(257)	155.555
Adana Hotel Project	65.508	-	(2.121)	18.016	81.403
<b>Total</b>	<b>247.793</b>	<b>1.657</b>	<b>(2.121)</b>	<b>26.589</b>	<b>273.918</b>

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	25.425	-	-	2.705	28.130
Pendorya Mall	152.990	6	-	1.159	154.155
Adana Hotel Project	64.730	-	-	778	65.508
<b>Total</b>	<b>243.145</b>	<b>6</b>	<b>-</b>	<b>4.642</b>	<b>247.793</b>



**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**15. Information on deferred tax assets**

**15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:**

The Group has computed deferred tax asset or liability on "temporary differences" arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Assets:</b>	<b>Current Period</b>	<b>Prior Period</b>
Loan commissions accrual adjustment	22.138	23.032
Provisions	129.195	79.690
Employee benefit provision	3.897	3.258
Marketable Securities	2.028	-
Others	9.179	3.334
<b>Total Deferred Tax Asset</b>	<b>166.437</b>	<b>109.314</b>
<b>Deferred tax liabilities:</b>		
Marketable securities	(905)	(38.458)
Borrowings commissions accrual adjustment	(14.744)	(12.329)
Valuation of derivative instruments	(104.207)	(43.533)
Useful life difference of fixed assets	(846)	(787)
Others	(5.805)	(10.363)
<b>Total Deferred Tax Liability</b>	<b>(126.507)</b>	<b>(105.470)</b>
<b>Net Deferred Tax Asset</b>	<b>39.930</b>	<b>3.844</b>

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset/(Liability) - Net	3.844	40.890
Deferred Tax (Loss)/Gain	89.505	(102.674)
Deferred Tax that is Realized Under Shareholder's Equity <sup>(1)</sup>	(53.419)	65.628
<b>Deferred Tax Asset/(Liability) Net</b>	<b>39.930</b>	<b>3.844</b>

**15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:**

No deferred tax difference has been calculated over the previous periods and no tax asset has been calculated and reflected in the balance sheet. (31 December 2018 : None)

**15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**

As of the reporting date, the Group has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2018: None).

**16. Explanation on assets held for sale:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Net book value at beginning of period</b>	<b>1</b>	<b>-</b>
Cash Paid for Purchase	64.402	1
Expected Loss (-)	-	-
<b>Net book value at end of period</b>	<b>64.403</b>	<b>1</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**16. Explanation on assets held for sale (continued)**

The Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1,6172% stake and amounting to TL 64.403 . The Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2018: TL 1).

**17. Information about other assets**

**17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:**

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2018: None).

**II. Explanations and disclosures related to the liabilities**

**1. Information of maturity structure of deposits**

**1.a.1 Maturity structure of deposits:**

The Parent Bank is not authorized to accept deposits.

**1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:**

The Parent Bank is not authorized to accept deposits.

**1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:**

The Parent Bank is not authorized to accept deposits.

**1.c Saving deposits which are not under the guarantee of deposit insurance fund:**

The Parent Bank is not authorized to accept deposits.

**2. Negative differences table related to derivative financial liabilities**

<b>Derivative Financial Liabilities Held For Trading <sup>(1)</sup></b>	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	41.025	142	87.610	6.307
Swap Transactions	236.399	181,127	354.680	111.839
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>277.424</b>	<b>190.865</b>	<b>442.290</b>	<b>177.792</b>

<sup>(1)</sup> Financial Liabilities for Hedging Purposes amounting to TL 16.545 (31 December 2018: TL 172.258) are shown in "Derivative Financial Liabilities" in accordance with the financial statement format with effective date of 1 January 2019.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. Information on banks and other financial institutions**

**3.a Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	513.609	673.969	5.000	420.465
From Foreign Banks, Institutions and Funds	122.030	25.318.717	122.007	23.272.198
<b>Total</b>	<b>635.639</b>	<b>25.992.686</b>	<b>127.007</b>	<b>23.692.663</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	20.109	132.621	5.000	-
Medium and long-term	615.530	25.860.065	122.007	23.692.663
<b>Total</b>	<b>635.639</b>	<b>25.992.686</b>	<b>127.007</b>	<b>23.692.663</b>

**3.c Additional information about the concentrated areas of liabilities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	5.916.000	-	6.932.250
Cost	-	5.884.485	-	6.917.804
Book Value	-	6.023.450	-	6.949.189

As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Parent Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%. As of 16 January 2018, the Bank issued the debt instrument which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment. As of 2 August 2019, Yatırım Finansman Menkul Değerler A.Ş has issued a debt instrument of 82 days term with a nominal interest rate of TL 90 million and a simple interest rate of 18,25% with a redemption date of 23 October 2019. TL 2,5 million of the relevant securities are in the portfolio of the group companies and are eliminated.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. Information on banks and other financial institutions (continued)**

**3.d Additional information about the concentrated areas of liabilities:**

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	369.379	216.152	41.539	137.458
Financial institutions and organizations	320.343	-	-	-
Other institutions and organizations	48.417	211.791	41.013	133.730
Real persons	619	4.361	526	3.728
From Foreign Transactions	5	446.020	4	-
Financial institutions and organizations	-	446.020	-	-
Other institutions and organizations	2	-	2	-
Real persons	3	-	2	-
<b>Total</b>	<b>369.384</b>	<b>662.172</b>	<b>41.543</b>	<b>137.458</b>

**4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total**

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2018: None).

**5. Explanations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

The Group has no finance lease payables (31 December 2018: None).

**5.b Explanations regarding operational leases:**

As of the reporting date, 2 head office buildings, 8 branches, 24 cars and 327 computers are within the context of operational leasing. (31 December 2018: 9 branches, 24 cars and 327 computers are subject to operational leasing). The Group has liability for operational leases amounting to TL 4.913 as of the reporting date

**5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:**

The Group has no sale and lease back transactions as of the reporting date (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**6. Negative differences on derivative financial instruments held for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	-	16.545	-	172.258
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>16.545</b>	<b>-</b>	<b>172.258</b>

<sup>(1)</sup> Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities" account in accordance with the financial statement format with effective date of 1 January 2019.

**7. Information on provisions**

**7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:**

As of the reporting date, the Bank has no foreign exchange losses on the foreign currency indexed loans (31 December 2018: TL None).

**7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:**

The Parent Bank's specific provisions provided for unindemnified non cash loan third stage expected loss provisions amount to TL 838 (31 December 2018: TL 736).

The Parent Bank's expected credit loss on non-cash loans is amounting to TL 23.857. (31 December 2018 : TL 11.251)

**7.c Information related to other provisions:**

**7.c.1 Provisions for possible losses:**

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (31 December 2018: TL 220.000)

**7.c.2 Information on employee termination benefits and unused vacation accrual:**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2019, employee termination benefits is amounting TL 14.568 reflected in financial statements (31 December 2018: TL 12.093). As of 31 December 2019, the Bank has provided a reserve for unused vacation amounting to TL 3.526 (31 December 2018: TL 2.825). This balance is classified under reserve for employee benefits in the financial statements.

The actuarial loss amounting to TL 1.034 after 1 January 2019 have been accounted under equity in accordance with the revised TAS 19 standard (31 December 2018: TL 684 actuarial loss).

**Liabilities on pension rights**

As explained on the Section Three, Accounting Policies, XVII. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2019, the Group has no obligations on pension rights (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on provisions (continued)**

**7.c Information related to other provisions (continued):**

**7.c.2 Information on employee termination benefits and unused vacation accrual (continued):**

**Liabilities for pension funds established in accordance with Social Security Institution**

None (31 December 2018: None).

**Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees**

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.

Accordingly, as of 31 December 2019 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.17, the accounting policies related with employee benefits.

**7.c.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:**

Other provisions, except to free provisions for possible losses, includes amount to TL 23.857 for general provision for non-cash loans and other Miscellaneous provisions. (31 December 2018: TL 11.251).

**8. Information on taxes payable**

**8.a Information on current taxes payable**

**8.a.1 Information on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Corporate Taxes and Deferred Taxes</b>				
Corporate Taxes Payable	67.608	-	82.363	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>67.608</b>	<b>-</b>	<b>82.363</b>	<b>-</b>

**8.a.2 Information on taxes payable:**

	Current Period	Prior Period
Corporate Taxes Payable	67.608	82.363
Taxation of Securities	1.583	1.442
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	7.358	6.835
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	545	838
Other	5.688	2.120
<b>Total</b>	<b>82.782</b>	<b>93.598</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8.a.3 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	177	156
Social Security Premiums-Employer	203	178
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	58	50
Unemployment Insurance-Employer	115	99
Other	23	23
<b>Total</b>	<b>576</b>	<b>506</b>

**8.b Explanations on deferred taxes liabilities:**

As of the reporting date, the Group has no deferred tax liability (31 December 2018: None).

**9. Information on liabilities regarding assets held for sale**

None (31 December 2018: None).

**10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 1.830.045.

Debt Instruments Subject to Common Equity	Current Period		Prior Period	
	TP	FC	TP	FC
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	1.830.045	-	1.549.774
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	1.830.045	-	1.549.774
<b>Total</b>	<b>-</b>	<b>1.830.045</b>	<b>-</b>	<b>1.549.774</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**11. Explanations on shareholders' equity**

**11.a Presentation of paid-in capital:**

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

**11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:**

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	4.500.000

**11.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase in the current period, and it was decided to transfer the 2018 profit to the reserves within the framework of the General Assembly Decision.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018 and was announced in the Turkish Trade Registry Gazette dated 7 June 2018 and No. 9605.

**11.d Information on share capital increases from capital reserves:**

None (31 December 2018: None).

**11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period (31 December 2018: None).

**11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

The prior period income, profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Parent Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

**11.g Information on preferred shares:**

The Parent Bank has no preferred shares (31 December 2018: None).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**11. Explanations on shareholders' equity (continued)**

**11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TP	YP	TP	YP
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	23.469	-	6.791	-
<b>Available for Sale Financial Assets</b>	<b>79.862</b>	<b>(3.357)</b>	<b>(53.478)</b>	<b>(69.434)</b>
Valuation Differences	59.148	(3.357)	(69.182)	(69.434)
Foreign Exchange Difference	20.714	-	15.704	-
<b>Total</b>	<b>103.331</b>	<b>(3.357)</b>	<b>(46.687)</b>	<b>(69.434)</b>

**11.i Informations on legal reserves:**

	Current Period	Prior Period
First legal reserve	306.012	186.482
Second legal reserve	248	85.918
Other Legal Reserves Appropriated In Accordance with Special Legislation	373	373
<b>Total</b>	<b>306.633</b>	<b>272.773</b>

**11.j Information on extraordinary reserves:**

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	841.395	177.725
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>841.395</b>	<b>177.725</b>

**12. Information on minority shares:**

	Current Period	Prior Period
Paid-in-Capital	34.660	41.566
Other Capital Reserves	33	33
Share Premium	63	77
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	774	713
Legal Reserves	160	126
Extraordinary Reserves	706	837
Other Profit Reserves	-	-
Retained Earnings/Accumulated Losses	(3.943)	2.763
Net Profit or Loss	5.637	(7.493)
<b>Total</b>	<b>38.090</b>	<b>38.622</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the consolidated off-balance sheet items**

**1. Information on off-balance sheet liabilities**

**1.a Nature and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	21.404	97.040
Commitments for Money Market Brokerage Purchase and Sales	73.508	120.537
Commitments for Stock Brokerage Purchase and Sales	345.846	11.621
Commitments for Letter of Credit	434.273	805.364
Commitments from Forward Short Term Borrowing and Transfers	-	-
Capital commitments for subsidiaries and associates <sup>(1)</sup>	96.782	97.805
Other	332.546	193.329
<b>Total</b>	<b>1.304.359</b>	<b>1.325.696</b>

<sup>(1)</sup> The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment

**1.b Possible losses and commitments related to off-balance sheet items including items listed below:**

**1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:**

As of the reporting date, total letters of credits, surety and acceptance amount to TL 2.728.688 (31 December 2018: TL 1.590.814).

**1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:**

As of the reporting date, total letters of guarantee is TL 1.819.030 (31 December 2018: TL 1.582.993).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)**

**1. Information on off-balance sheet liabilities (continued)**

**1.c.1 Total amount of non-cash loans:**

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1.816.072	1.559.897
With Maturity of One Year or Less than One Year	189.403	92.372
With Maturity of More than One Year	1.626.669	1.467.525
Other Non-Cash Loans	2.731.644	1.613.910
<b>Total</b>	<b>4.547.716</b>	<b>3.173.807</b>

**1.c.2 Information on sectoral risk breakdown of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	446.093	99	3.875.939	94	561.688	99	1.811.654	91
Mining	-	-	29.417	1	-	-	-	-
Manufacturing Industry	224.957	50	2.312.722	56	381.548	68	937.466	48
Electricity, Gas, Water	221.136	49	1.533.800	37	180.140	31	874.188	43
Construction	3.013	1	27.637	1	146	-	-	-
Services	1.628	-	193.406	5	1.164	1	199.059	9
Wholesale and Retail Trade	-	-	3.947	-	-	-	9.410	-
Hotel, Food and Beverage Services	-	-	115.344	3	-	-	-	-
Transportation and Communication	1.138	-	-	-	62	-	44.463	2
Financial Institutions	96	-	74.115	2	321	-	145.186	7
Real Estate and Leasing Services	394	-	-	-	781	1	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>450.734</b>	<b>100</b>	<b>4.096.982</b>	<b>100</b>	<b>562.998</b>	<b>100</b>	<b>2.010.713</b>	<b>100</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)**

**1. Information on off-balance sheet liabilities (continued)**

**1.c.3 Information on non cash loans classified under Group I and Group II:**

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	440.861	4.083.632	478.127	2.676.264	6.547	13.350	6.854	9.598
Letters of Guarantee	440.861	1.368.294	478.127	1.095.048	6.547	-	6.854	-
Bank Acceptances	-	190.447	-	-	-	-	-	-
Letters of Credit	-	2.524.891	-	1.581.216	-	13.350	-	9.598
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

**2. Information related to derivative financial instruments**

As of 31 December 2019, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Perior	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
TL	1.359.615	1.355.680	664.611	2.618.503	444.061	443.961	-	-	-
ABD Doları	1.067.693	1.068.050	12.393.207	7.923.738	259.855	259.855	-	-	16.520.430
Avro	268.272	268.400	3.282.915	5.357.345	184.034	184.034	-	-	-
Diğer	-	-	-	147.015	157.687	-	-	-	-
<b>Toplam</b>	<b>2.695.580</b>	<b>2.692.130</b>	<b>16.340.733</b>	<b>16.046.601</b>	<b>1.045.637</b>	<b>887.850</b>	-	-	<b>16.520.430</b>
Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
TL	974.149	845.785	982.222	3.432.783	1.281.990	1.281.990	-	-	-
ABD Doları	136.897	321.265	10.777.833	6.640.106	1.204.750	1.204.755	-	-	18.028.129
Avro	827.414	695.439	3.890.834	5.382.212	147.514	147.509	-	-	-
Diğer	-	-	166.575	155.096	-	-	-	13.401	-
<b>Toplam</b>	<b>1.938.460</b>	<b>1.862.489</b>	<b>15.817.464</b>	<b>15.610.197</b>	<b>2.634.254</b>	<b>2.634.254</b>	-	<b>13.401</b>	<b>18.028.129</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations related to the consolidated off-balance sheet items (continued)**

**2. Information related to derivative financial instruments (continued)**

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Swap Transactions	663.432	286.316	13.847.767	659.811	394.648	14.715.655
Interest Rate Swap Transactions	177.133	130.228	18.697.254	107.411	71.871	16.712.006
Forward Transactions	44.287	41.167	5.387.710	152.353	93.917	3.800.949
Futures Transactions	-	-	-	-	-	-
Option Transactions	9.596	9.596	1.775.800	59.646	59.646	5.268.508
Other	-	-	-	-	410	13.401
<b>Total</b>	<b>894.448</b>	<b>467.307</b>	<b>39.708.531</b>	<b>979.221</b>	<b>620.492</b>	<b>40.510.519</b>

**Fair value hedges**

For the year ended 31 December 2019 the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 16.520.430 (31 December 2018: TL 18.028.129).

**Hedging from the cash-flow risk**

As of 31 December 2019 there is no cash-flow hedging transactions (31 December 2018: None).

**3. Explanations on loan derivatives and risk exposures**

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2018: None).

**4. Explanations on contingent liabilities and assets**

There are 69 legal cases against the Group which are amounting to TL 5.251 as of the reporting date (31 December 2018: TL 5.225 - 67 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge/penalized stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Parent Bank relying on this report.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations related to the consolidated off-balance sheet items (continued)**

**4. Information related to derivative financial instruments (continued)**

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the Parent Bank and an amount of TL 12.750 corresponding to the portion that the Parent Bank was obliged to pay for the related period is recognized as income in the prior period.

There is a lawsuit for Pendorya Mall of Company registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2<sup>nd</sup> Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. Company has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlık Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision. The Court decided to apply of Supreme Court's decision to dismiss. The notification of reasoned decision is expected.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations related to the consolidated off-balance sheet items (continued)**

**4. Information related to derivative financial instruments (continued)**

Beyoglu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoglu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoglu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoglu Municipality approved the reclaim. However, there has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. That's why, decision was appealed by the company. The Council of State reversed the judgement based on inappropriate zoning plan changes with the decision of 28 March 2014. In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO's application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form. In the case which was started to discuss again in court; an expert opinion examination was made. The Court has ruled in favor of the Parent Bank by canceling the administrative proceeding. In the legal period, the appeal law was appealed by the Beyoğlu Municipality and was sent to the Council of State upon the decision of the Court of Appeal by the Court of Appeal.

A lawsuit was filed by one of the investors of TSKB GYO on the cancellation of the 5th, 7th and 9th articles decided at the Ordinary General Assembly meeting on 27 April 2018. Although the request for the case was demanded to stop the execution of the 5th and 7th articles, the request for interim injunction requested for the suspension of the execution was rejected and an appeal was filed by the plaintiff. The notification of the reasoned decision is expected.

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

**5. Custodian and intermediary services**

The Group provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the consolidated income statement**

**1. Information on interest income**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans <sup>(1)</sup>				
Short Term Loans	207.551	109.216	340.368	55.039
Medium and Long Term Loans	357.131	1.525.484	330.572	1.377.651
Interest on Non-performing Loans	9.663	51.003	7	29.715
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>574.345</b>	<b>1.685.703</b>	<b>670.947</b>	<b>1.462.405</b>

<sup>(1)</sup> Commission income from loans has been included to the interest on loans.

**1.b Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey <sup>(1)</sup>	7.101	-	10.258	-
Domestic Banks	26.541	25.891	60.854	16.382
Foreign Banks	1.417	6.472	1.143	499
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>35.059</b>	<b>32.363</b>	<b>72.255</b>	<b>16.881</b>

<sup>(1)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	1.327	-	1.514	-
Financial Assets at Fair Value Through Other Comprehensive Income	370.504	71.792	296.002	62.774
Financial Assets Measured at Amortized Cost	199.903	26.895	386.565	15.635
<b>Total</b>	<b>571.734</b>	<b>98.687</b>	<b>684.081</b>	<b>78.409</b>

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2019.



**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the consolidated income statement**

**1. Information on interest income (continued)**

**1.d Information on interest income received from associates and subsidiaries:**

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	18.588	26.076

**2. Faiz giderlerine ilişkin bilgiler**

**2.a Kullanılan kredilere verilen faizlere ilişkin bilgiler:**

	Current Period		Prior Period	
	FC	TL	FC	YP
Banks	60.515	100.375	47.147	91.198
The Central Bank of Turkey	-	-	-	-
Domestic Banks	50.352	21.548	35.620	25.434
Foreign Banks	10.163	78.827	11.527	65.764
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	2.794	505.634	2.794	439.969
<b>Total <sup>(1)</sup></b>	<b>63.309</b>	<b>606.009</b>	<b>49.941</b>	<b>531.167</b>

<sup>(1)</sup> Commissions given to the Banks and Other Institutions are presented under interest expense.

**2.b Information on interest expenses to associates and subsidiaries:**

There is no interest expense to its associates and subsidiaries (31 December 2018: None).

**2.c Information on interest expense to securities issued:**

	Current Period		Prior Period	
	FC	TL	FC	TL
Interest on securities issued <sup>(1)</sup>	-	565.831	-	491.351

<sup>(1)</sup> Commissions given to issuance have been included to interest expense.

**3. Information on dividend income:**

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.707	4.612
Other	1.047	913
<b>Total</b>	<b>6.754</b>	<b>5.525</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**4. Information on net trading income (net)**

	Current period	Prior period
<b>Profit</b>	<b>3.667.342</b>	<b>5.948.542</b>
Gains on capital market operations	6.645	5.041
Gains on derivative financial instruments <sup>(1)</sup>	2.173.190	3.241.829
Foreign exchange gains	1.487.507	2.701.672
<b>Losses (-)</b>	<b>4.086.465</b>	<b>6.277.742</b>
Losses on capital market operations	2.908	2.839
Losses on derivative financial instruments <sup>(1)</sup>	2.662.268	3.858.177
Foreign exchange losses	1.421.289	2.416.726

<sup>(1)</sup> Foreign exchange gain from derivative transactions amounting to TL 859.644 is presented in "Gains on derivative financial instruments" (31 December 2018: TL 2.112.377), foreign exchange loss from derivative transactions amounting to TL (1.238.652) is presented in "Losses on derivative financial instruments" (31 December 2018: TL 2.703.018)).

**5. Information related to other operating income**

	Current Period	Prior Period
Provisions Released <sup>(1)</sup>	27.199	91.162
Gains on Sale of Assets	1.025	73
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	106	-
From Property Sales	837	-
From Other Asset Sales	82	73
Other	37.326	17.858
<b>Total</b>	<b>65.550</b>	<b>109.093</b>

<sup>(1)</sup> Includes TL 90.000 provision released in the prior period.

**6. Provision expenses related to loans and other receivables of the Group**

	Current Period	Prior Period
Expected Credit Loss	418.518	494.269
12 Months Expected Credit Loss (Stage 1)	50.994	81.575
Significant Increase in Credit Risk (Stage 2)	143.607	131.972
Non-performing Loans (Stage 3)	223.917	280.722
Marketable Securities Impairment Expenses	42.113	8.380
Financial Assets at Fair Value Through Profit or Loss	34.196	-
Financial Assets at Fair Value Through Other Comprehensive Income	7.917	8.380
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other <sup>(1)</sup>	-	30.000
<b>Total</b>	<b>460.631</b>	<b>532.649</b>

<sup>(1)</sup> Includes the free provision of the Parent Bank in the current period. It is included under Other Provision Expenses in the income statement

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**7. Information related to other operating expenses**

	Current Period	Prior Period
Reserve for Employee Termination Benefits <sup>(1)</sup>	1.777	2.358
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	17.696	5.185
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	1.887	1.219
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	42.866	43.376
Rent Expenses	1.108	3.405
Maintenance Expenses	2.178	1.454
Advertisement Expenses	1.469	970
Other Expenses	38.111	37.547
Loss on Sales of Assets	-	-
Other <sup>(2)</sup>	34.791	26.560
<b>Total</b>	<b>99.017</b>	<b>78.698</b>

<sup>(1)</sup> Includes the distribution of profit share to the employees in accordance with TAS 19 "Employee Benefits"

<sup>(2)</sup> It contains vacation liability expenses amounting TL 701.

**8. Information on profit/loss before tax from continued and discontinued operations before tax**

As of 31 December 2019, profit before tax of the Group has increased by 2% as compared to the prior period (31 December 2018: 23,53% increase). In comparison with the prior period, the Group's net interest income has increased by 11% (31 December 2018: 69,64% increase).

**9. Information on tax provision for continued and discontinued operations**

**9.a Information on current tax charge or benefit and deferred tax charge or benefit:**

The Group's current tax charge for the period is TL 286.837 (31 December 2018: TL 147.709). Deferred tax income is TL 89.505 (31 December 2018: TL 102.674 loss).

**9.b Information related to deferred tax benefit or charge on temporary differences:**

Deferred tax income calculated on temporary differences is TL 89.505 (31 December 2018: TL 102.674 loss).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**9. Information on tax provision for continued and discontinued operations (continued)**

**9.c Information related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:**

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2018: None)

**10. Explanations on net profit/loss from continued and discontinued operations:**

As of 31 December 2019, the Group's profit before tax has increased by 10,99% compared to the prior period.

**11. Information on net profit/loss**

**11.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Group has generated TL 3.313.001 of interest income, TL 1.401.717 of interest expenses and TL 65.103 of net fee and commission income from banking operations (31 December 2018: TL 3.110.109 interest income, TL 1.381.191 interest expense, TL 51.398 net fee and commission income).

**11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There has no change in the accounting estimates and accordingly effect on the financial statement items. (31 December 2018: None).

**11.c Minority share of profit and loss:**

The current year income attributable to minority shares is TL 5.637 (31 December 2018: TL 7.493 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 38.090 (31 December 2018: TL 38.622).

**12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below**

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	38.201	34.678
Commissions from Initial Public Offering	778	1.311
Investment Fund Management Income	2.713	2.113
Other	12.062	4.895
<b>Total</b>	<b>53.754</b>	<b>42.997</b>

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. Explanations related to consolidated statement of changes in shareholders' equity**

**1. Information related to capital**

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 306.633 Extraordinary legal reserves is TL 841.395.

**2. Accumulated other comprehensive income or loss not reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

**3. Accumulated other comprehensive income or loss reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

**VI. Explanations related to consolidated statement of cash flows**

**1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents**

In the current period, other income amounting to TL 80.871 consists of gain from sale of assets and non-interest income (31 December 2018: TL 78.663 other income consists of other income, gain from sale of assets and non-interest income.)

Other caption in changes in assets and liabilities from banking operations amounting to TL 382.647 (31 December 2018: TL 587.296) consists of derivative financial transaction losses, other operating expenses, except employee termination benefits provision and depreciation expense and taxes paid, fees and commissions paid and foreign exchange gain and loss.

In the current period, net increase/decrease in other assets amounting to TL 310.064 (31 December 2018: TL 392.290) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 577.683 (31 December 2018: TL 912.283) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 4.354 (31 December 2018: TL 45.970).

**2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:**

In the current period, the Group invested TL 9.698 in tangible fixed assets and properties and invested TL 2.080 in intangible fixed assets. The Parent Bank provided cash participation to share capital of its subsidiaries amounting TL 990 in current period.

In the prior period, the Group invested TL 4.924 in tangible fixed assets and properties and invested TL 2.543 in intangible fixed assets. The Parent Bank provided cash participation to share capital of its subsidiaries amounting TL 3.000 in prior period.

**3. Information about disposal of associates, subsidiaries, and other investments:**

In the current period, the Group has generated a cash inflow of TL 2.326 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 94 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. Explanations related to consolidated statement of cash flows**

**4. Cash and cash equivalents at the beginning and end of period:**

Cash and cash equivalents at the beginning of period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	29	24
Cash Equivalents	1.385.796	504.224
<b>Total</b>	<b>1.385.825</b>	<b>504.248</b>

Cash and cash equivalents at the end of period:

	End of the Current Period	End of the Prior Period
Cash	29	29
Cash Equivalents	779.773	1.385.796
<b>Total</b>	<b>779.802</b>	<b>1.385.825</b>

**5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons**

Reserves amounting to TL 796.067 (31 December 2018: TL 730.273) in Turkish Republic Central Bank represent of Turkish Lira, foreign currency and gold reserve requirements of the Parent Bank.

**6. Additional information related to financial position and liquidity**

**6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:**

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

**6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:**

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations on the risk group of the Parent Bank**

**1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period**

**1.a Current period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	437.232	262	102.776	-	59.858	-
Balance at the end of the period	545.560	27.938	118.394	-	39.529	-
Interest and commission income received	17.827	761	7.453	-	3.578	-

**1.b Prior period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	257.470	262	-	-	76.931	-
Balance at the end of the period	437.232	262	102.776	-	59.858	-
Interest and commission income received	25.205	871	76	-	5.823	-

**1.c Information on deposit held by Parent Bank's own risk group:**

The Parent Bank is not authorized to accept deposits.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations on the risk group of the Parent Bank (Continued)**

**2. Information on forward and option agreements and other similar agreements made with related parties**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	364.732	444.536	-	-	131.758	-
End of the Period	-	364.732	-	-	-	131.758
Total Profit/Loss	(20.179)	(356.617)	-	-	(2.231)	(1.906)
<b>Hedging Risk Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to key management personnel in the current period amount to TL 19.837 (31 December 2018: TL 16.846).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank**

**1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group**

	<b>Number</b>	<b>Number of Employees</b>	<b>Country of Incorporation</b>	<b>Total Asset</b>	<b>Statutory Share Capital</b>
Domestic branches <sup>(1)</sup>	2	375			
Foreign representations	-	-			
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

<sup>(1)</sup> Consolidated subsidiaries have 9 branches and 131 personnels which are not presented in the table.

**2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:**

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches (31 December 2018: None).

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to the operations of the Parent Bank**

**1.a Brief information related to rating carried out by international rating firms:**

Long-term Maturity Foreign Currency (issuer)	B+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB-
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	B
Support Note	4
Base Support Note	B+
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	B
Financial Capacity Note	b+

**FITCH RATINGS**

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 12 November 2019 and determined Bank's "Financial Capacity Note".

**MOODY'S**

Reference Financial Rating Note	caa1
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Unsecured Debt-Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note	(P) B3

Information above represents updated information as of 18 June 2019.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

## **SECTION SIX (Continued)**

### **OTHER EXPLANATIONS (Continued)**

#### **I. Other explanations related to the operations of the Parent Bank (continued)**

##### **1.b Informations on corporate governance rating of the Parent Bank:**

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,58% (9,56 over 10) as of 18 October 2019. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,37 (Weight: 35%) over 10 respectively.

##### **II. Other explanations related to the events after the reporting date**

The Bank issued debt instrument in abroad which have nominal value of full USD 400 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 23 January 2020, was determined as 23 January 2025 and the coupon rate was 6%.

## **SECTION SEVEN**

### **AUDITORS' REPORT**

#### **I. Explanations on the auditors' report**

The consolidated financial statements as of and for the year ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 3 February 2020 is presented in the introduction of this report.

#### **II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Group's operation.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

### SECTION SIX (Continued)

#### OTHER EXPLANATIONS (Continued)

##### I. Other explanations related to the operations of the Parent Bank (continued)

###### 1.b Informations on corporate governance rating of the Parent Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,58% (9,56 over 10) as of 18 October 2019. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,37 (Weight: 35%) over 10 respectively.

##### II. Other explanations related to the events after the reporting date

The Bank issued debt instrument in abroad which have nominal value of full USD 400 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 23 January 2020, was determined as 23 January 2025 and the coupon rate was 6%.

### SECTION SEVEN

#### AUDITORS' REPORT

##### I. Explanations on the auditors' report

The consolidated financial statements as of and for the year ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 3 February 2020 is presented in the introduction of this report.

##### II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group's operation.

## GRI INDEX

## GRI INDEX

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 101: FOUNDATION 2016</b>		
<b>GRI 102: GENERAL DISCLOSURES</b>		
	<b>ORGANIZATIONAL PROFILE</b>	
	102-1	Türkiye Sinai Kalkınma Bankası A.Ş.
	102-2	Page: 9
	102-3	Headquarters Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul
	102-4	Turkey Page: 4
	102-5	<a href="http://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association">http://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association</a>
	102-6	TSKB's business area is Turkey.
	102-7	Page: 4, 8
	102-8	Page: 66, 67, 68
	102-9	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	102-10	There were no significant changes during the reporting period.
	102-11	Page: 123-125
	102-12	Page: 73-74
	102-13	Page: 73-74
	<b>STRATEGY</b>	
	102-14	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	102-15	Page: 73-74
	<b>ETHICS AND INTEGRITY</b>	
	102-16	<a href="http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	102-17	<a href="http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	<b>GOVERNANCE</b>	
	102-18	Page: 106-111
	102-19	Page: 71-72
	102-20	Page: 71-72
	102-21	Page: 71-72
	102-22	Page: 106-111 <a href="http://www.tskb.com.tr/en/investor-relations/bank-information/board-of-directors-senior-management">http://www.tskb.com.tr/en/investor-relations/bank-information/board-of-directors-senior-management</a>  <a href="http://www.tskb.com.tr/en/investor-relations/bank-information/committees">http://www.tskb.com.tr/en/investor-relations/bank-information/committees</a>
	102-23	The Chairman of the Board of Directors has no executive duty.
	102-24	Regarding the minimum qualities to be sought in appointments to Board Member, the Bank acts in accordance with the provisions of Banking legislation, Turkish Commerce Code and the regulations of Capital Markets Board.

**GRI 102: GENERAL DISCLOSURES 2016**

## GRI INDEX

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	102-25	Page: 116, 119 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf</a>
	102-26	Page: 116, 119
	102-27	Page: 116, 119
	102-28	Page: 116, 119
	102-29	Page: 116, 119
	102-30	Page: 116, 119
	102-31	Page: 116, 119
	102-32	Page: 71-73
	102-33	Page: 116, 119
	102-34	Page: 116, 119
	102-35	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-36	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-37	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-38	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-39	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	<b>STAKEHOLDER ENGAGEMENT</b>	
	102-40	Page: 24
	102-41	There is no collective bargaining application in TSKB.
	102-42	Page: 24-26
	102-43	Page: 24-26
	102-44	Page: 24-26
	<b>REPORTING PRACTICE</b>	
	102-45	The report is prepared on unconsolidated basis. The activities of TSKB's subsidiaries are not included.
	102-46	Page: 1
	102-47	Page: 24-29
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2019-31.12.2019
	102-51	2018
	102-52	Annual
	102-53	Ms. Özen Çaylı Tel: +90 212 334 52 49 Özen Çaylı <HALILOGLUO@tskb.com.tr>
	102-54	This report is prepared in accordance with GRI Standards-Core option.
	102-55	Page: 473
	102-56	Page: 132-139

**GRI 102: GENERAL DISCLOSURES 2016**



**GRI INDEX**

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 200: ECONOMIC STANDARD SERIES</b>		
	<b>ECONOMIC PERFORMANCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	Page: 6-8
	201-2	Page: 77-82
	201-3	Page: 185-186
	201-4	There is no financial assistance received from government during the reporting period.
	<b>MARKET PRESENCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 202: MARKET PRESENCE 2016</b>	202-1	In TSKB, the standard entry level wage of all employees is above the local minimum wage.
	202-2	All members of TSKB senior management are Turkish Republic citizens.
	<b>INDIRECT ECONOMIC IMPACTS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	203-1	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	203-2	Page: 6-7

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	<b>PROCUREMENT PRACTICES</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
<b>GRI 204: PROCUREMENT PRACTICES 2016</b>	204-1	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	<b>ANTI-CORRUPTION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
<b>GRI 205: ANTI-CORRUPTION 2016</b>	205-1	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a> Page: 123-125
	205-3	There are no confirmed incidents of corruption during the reporting period.
	<b>ANTI-COMPETITIVE BEHAVIOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016</b>	206-1	There are no legal actions for anti-competitive behavior, anti-trust, and monopoly practices during the reporting period.
<b>GRI 300: ENVIRONMENTAL STANDARD SERIES</b>		
	<b>ENERGY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 302: ENERGY 2016</b>	302-1	Page: 78-79
	302-2	Page: 78-79
	302-3	Page: 78-79
	302-4	Page: 78-79

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GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	<b>WATER</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
		Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 303: WATER 2016</b>	303-1	Page: 78-79
	303-2	There are no water sources significantly affected by withdrawal of water.
	303-3	Page: 78-79
	<b>EMISSIONS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
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<b>GRI 305: EMISSIONS 2016</b>	305-1	Page: 78-79
	305-2	Page: 78-79
	305-3	Page: 78-79
	305-4	Page: 78-79
	305-5	Page: 78-79
	<b>EFFLUENTS AND WASTE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
		Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>	306-1	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-2	Page: 78-79
	306-3	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-4	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-5	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	<b>ENVIRONMENTAL COMPLIANCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
		Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	307-1	There are no significant fines or sanctions in the reporting period.
	<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	103-2	TSKB works closely with its suppliers in order to manage the environmental and social impact of its supply chain operations. Suppliers are supported in their efforts to improve their own environmental and social sustainability performance. Such matters will be dealt with as called for in TSKB's Sustainable Procurements Management Policy.
		<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</b>	308-1	Although the suppliers are expected to pay attention to their environmental impact, there are no suppliers that were screened using environmental criteria.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 400: SOCIAL STANDARD SERIES</b>		
	<b>EMPLOYMENT</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 401: EMPLOYMENT 2016</b>	401-1	Total number of new employees hired in 2019 is 47. Page: 64
	401-2	All TSKB employees are working on full-time basis.
	<b>LABOR/MANAGEMENT RELATIONS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 402: LABOR/MANAGEMENT RELATIONS 2016</b>	402-1	TSKB is fully compliant with current laws and regulations about this subject in Turkey.
	<b>OCCUPATIONAL HEALTH AND SAFETY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>	403-2	There are no injury, occupational diseases, lost days, and absenteeism, and work-related fatalities during the reporting period.
	403-3	As per the nature of its activities, TSKB's employees are not subject to high risk of injury or occupational diseases.
	<b>TRAINING AND EDUCATION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1	Page: 65-68
	404-2	Page: 65-68
	<b>DIVERSITY AND EQUAL OPPORTUNITY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
		Page: 61-68
	103-3	<a href="http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>

## GRI INDEX

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1	Page: 65-68
	405-2	There is no gender-based wage discrimination in TSKB.
	<b>NON-DISCRIMINATION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
		Page: 61-68
	103-3	<a href="http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 406: NON-DISCRIMINATION 2016</b>	406-1	There are no incidents of discrimination during the reporting period.
	<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	407-1	TSKB respects the right of collective bargaining. During the reporting period, TSKB had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights.
	<b>CHILD LABOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 408: CHILD LABOR 2016</b>	408-1	TSKB does not employ child labor in any way. TSKB expects all of its suppliers comply with age restrictions mentioned on related laws and regulations.
	<b>FORCED OR COMPULSORY LABOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 409: FORCED OR COMPULSORY LABOR 2016</b>	409-1	There are no activities and operations at TSKB with significant risk for incidents of forced or compulsory labor. TSKB expects all of its suppliers do not employ forced or compulsory labor in any case.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>HUMAN RIGHTS ASSESSMENT</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 412: HUMAN RIGHTS ASSESSMENT 2016</b>	412-1	None.
<b>CUSTOMER PRIVACY</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB Principles of Banking Ethics(1).pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB Principles of Banking Ethics(1).pdf</a>
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	418-1	There are no complaints concerning breaches of customer privacy and losses of customer data.
<b>FINANCIAL SECTOR SUPPLEMENT</b>		
<b>PRODUCT PORTFOLIO</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS6	Page: 39-43, 48-52
	FS7	Page: 39-43, 48-52
	FS8	Page: 39-43, 48-52
<b>ACTIVE OWNERSHIP</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS10	Page: 39-43, 48-52
	FS11	Page: 39-43, 48-52

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