



INCLUSIVE AND  
SUSTAINABLE  
CONTRIBUTION

## ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 28.03.2019

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 Report of the Board of Directors and Independent Auditor Reports regarding the accounts and transactions of the Bank within the year of 2018,
3. Review, discussion and approval of the balance sheet and profit and loss statements of the Bank for the year of 2018,
4. Release of the Members of the Board of Directors,
5. Approval of the Board of Directors' proposal regarding the determination and apportionment of the profit for the year 2018,
6. Determination of allowance for the Members of the Board of Directors,
7. Election of the Independent Audit Firm,
8. Approval of the amendments in the 11, 23 and 47<sup>th</sup> Articles of Association,
9. Approval of the renewed Profit Distribution Policy,
10. Presentation of the information regarding the renewed Disclosure Policy,
11. 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 2019,
12. Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
13. Presenting information regarding the transactions within the scope of Article 1.3.6. of the Corporate Governance Principles of the Capital Markets Board.

## CONTENTS

## ABOUT THE REPORT

### QUALIFICATION, PERIOD AND SCOPE OF THE REPORT

TSKB presents its 2018 performance with its Integrated Annual Report including January 1 – December 31, 2018 period. The report is issued on a bank-only basis and excludes the operations of TSKB affiliates. To note, the Bank does not deliver any operations abroad. The report only reflects the operations in Turkey.

### CAPITALS 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 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 published on-line. The report can be accessed through Public Disclosure Platform and [www.tskb.com](http://www.tskb.com).

### 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 with which TSKB committed in 2010 are taken into consideration.

2018 Integrated Annual Report of TSKB, a Borsa Istanbul listed company, is in compliance with the minimum annual reporting requirements of Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board (CMB) legal frameworks.

### AUDIT OF THE REPORT

TSKB 2018 Integrated Annual Report including independent audit reports were audited by Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young, EY). It was also subject to limited assurance audit by EY with respect to non-financial information. Furthermore, TSKB takes audit service from BSI under ISO14001 certification for its Sustainable Management System and under ISO 14064 certification regarding the calculation and verification of greenhouse gas emissions from its operations.



GRI 102-46, 102-56



To access the PDF copy of the TSKB 2018 Integrated Activity Report, scan the QR code in your browser.  
[www.tskb.com.tr](http://www.tskb.com.tr)

# TSKB AT A GLANCE

# ➤ 01



## CORPORATE PROFILE

TSKB was established in 1950 in Istanbul as Turkey's first private development and investment bank with the support of the World Bank, the Central Bank of Turkey and the shareholding of commercial banks.

The bank operates in three main fields, namely Corporate Banking, Investment Banking and Advisory Services. TSKB has its headquarters in Istanbul with two branches in Ankara and Izmir.

Extending medium and long-term loans for financing investment projects, TSKB's loans have a concentration on production and services sectors. TSKB not only extends direct loans to finance the investments of private sector organizations but also supports SMEs and exporters with indirect loans through leasing companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking).

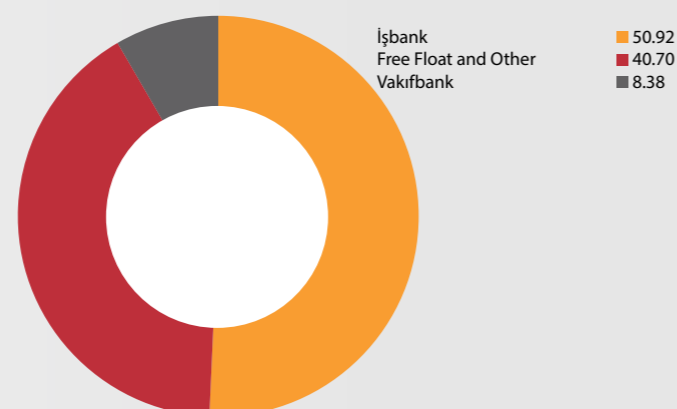
TSKB offers investment-banking services at international standards, with its services designed in accordance with the needs of its customers. The Bank is distinguished by its experience in development banking and submitting value-added solutions to its customers with its qualified team in advisory services.

Due to its development and investment bank-status, TSKB does not collect deposits and meets its need for medium and long-term funds through the funds it obtains from national, regional and supranational financial institutions and bond issues.

### TSKB'S AFFILIATES

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

### 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 2018 year-end.

The shareholdings of the Bank's Board Members, Auditors, Chief Executive Officer and Executive Vice Presidents are negligible.

### TSKB IN NUMBERS

# TL 38.3 billion

Asset size

# 13<sup>th</sup> bank

Rank in the sector in terms of asset size

# 567

Total number of employees with its affiliates

## MISSION, VISION, AND VALUES

### OUR MISSION

*Is to focus on creating value for the inclusive and sustainable development of our country through the financing and advisory 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, using a visionary perspective and innovative services as leverage.
- We keep a close eye on international banking practices and lead our sector as a pioneer.

#### 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 collective intelligence.
- 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 produce flexible, fast and efficient solutions in order to optimally meet our customers' expectations and needs.
- We are utterly 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 and act timely and swiftly at each stage without 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.

# TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

## CORPORATE BANKING



### LOAN PRODUCTS THAT CONTRIBUTE TO THE TURKISH ECONOMY AND LABOR FORCE

#### Corporate Loans

- Industrial Investments
- Energy and resource efficiency
- Environmental investments, renewable energy
- Women's employment
- Occupational health and safety
- Sustainable tourism
- Health and education investments
- R&D and innovation

#### Project Finance

- Electricity generation and distribution
- Hotels, shopping malls and commercial real estate
- Logistics
- Transportation/Infrastructure
- Public-Private Partnership Projects
- Mergers & Acquisitions

#### Other Loan Products

- Wholesale banking
- SME Finance
- Export Finance
- Foreign trade finance
- Country (ECA) loans
- Working capital finance
- Financial leasing

## INVESTMENT BANKING



### PRODUCTS AND SERVICES THAT SUPPORT CLIENTS' ASSETS IMPROVEMENT

#### Corporate Finance

- Advisory and intermediary services for equity IPOs
- Intermediary services for bond issues
- Mergers & Acquisitions
- Asset sale and purchasing
- Privatization Advisory

#### Capital Markets \*

- Brokerage services for stock trading
- Fixed income securities brokerage
- Forex transactions
- Warrant transactions
- Repo transactions
- Foreign derivative transactions
- Forex and leveraged transactions
- Lending for share trading
- Portfolio management
- Investment Advisory

#### Derivatives

- Forwards
- Options
- Caps&Floors
- Swaptions
- SWAP transactions
  - Forex
  - Interest rate
  - Cross currency

## CONSULTANCY



### TAILOR-MADE PRODUCTS AND SERVICES THAT ADD VALUE TO THE CLIENTS' OPERATIONS

#### Strategic Finance Consultancy

- Company, brand and license appraisal
- Valuation and feasibility analysis
- Financial restructuring
- Strategic roadmaps
- Sector analysis
- Project finance consultancy

#### Real Estate Appraisal \*

- Real estate appraisal
- Machinery and equipment appraisal
- Bidding consultancy
- The highest and best-use analyses
- Collateral appraisal
- Feasibility and project monitoring
- Sector analysis and market research reports
- Green building analysis
- Urban transformation consultancy
- Concept development consultancy

#### Sustainability and Environment \*

- Sustainability management, environmental and social impact assessment
- Technical consultancy
- Climate change management
- Carbon consultancy
- Environmental and social risk Management
- Investment monitoring for financial Institutions
- Renewable energy consultancy

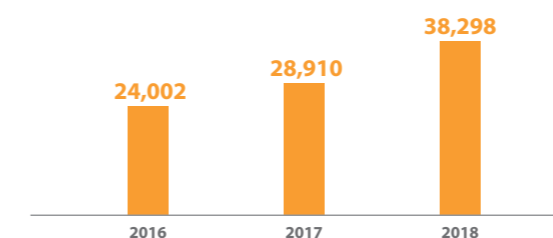
\*TSKB provides part of its services in investment banking and consultancy services in cooperation with its affiliates, Yatırım Finansman Securities, TSKB Real Estate Appraisal and TSKB Sustainability Consultancy-Escarus.

# KEY PERFORMANCE INDICATORS AND RATIOS

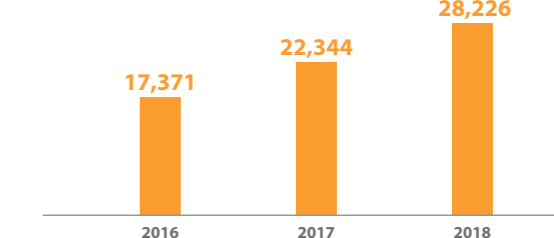
KEY INDICATORS (TL million)	2014	2015	2016	2017	2018
Total Assets	15,701	20,735	24,002	28,910	38,298
Loan Portfolio (Gross)	11,040	13,735	17,371	22,344	28,226
Shareholders' Equity	2,288	2,489	2,928	3,535	4,719
Net Profit	369	407	476	596	661

FINANCIAL RATIOS (%)	2014	2015	2016	2017	2018
Average Return on Equity	17.7	17.0	17.6	18.4	16.0
Average Return on Assets	2.6	2.2	2.1	2.3	2.0
Capital Adequacy Ratio	18.1	14.9	14.3	17.1	16.2

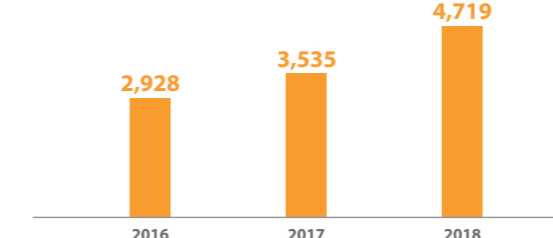
## TOTAL ASSETS (TL million)



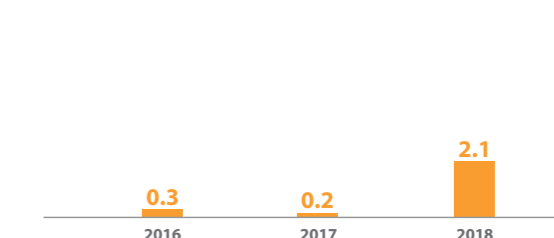
## LOAN PORTFOLIO (Gross, TL million)



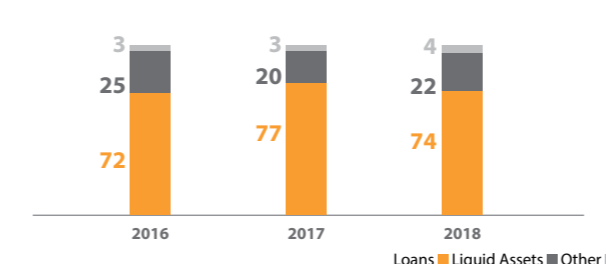
## SHAREHOLDERS' EQUITY (TL million)



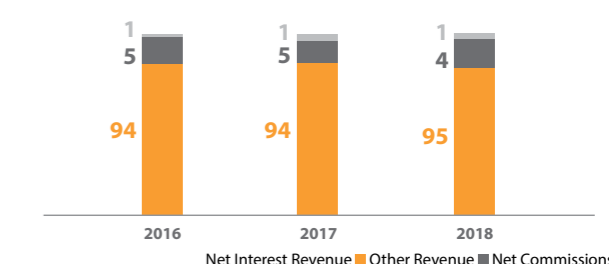
## NON-PERFORMING LOANS RATIO (%)



## ASSETS COMPOSITION (%)



## BREAKDOWN OF REVENUES (%)



# MILESTONES FROM 1950 TO 2018

1950s

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 actions 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.

1960s

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 domestic production 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.

1970s

In this decade, TSKB began to focus on private sector investments in Turkey's developing regions. The Bank took an important step in diversifying 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.

1980s

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 cooperation 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.

1990s

TSKB further expanded its investment banking business while continuing to develop and diversify its cooperation with international banks. TSKB signed long-term foreign currency and interest rate swap agreements with international financial institutions. It also provided consultancy 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 active after the Istanbul Stock Exchange was established, further solidified its leadership position in capital markets.

2000s

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.

2010s

TSKB began to focus on renewable energy and energy efficiency projects in the 2010s. TSKB has played a leading 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

Supporting by the Turkish private sector since its establishment in 1950, TSKB continues to create value for the national economy.

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 achievements 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.

After Long-Term Investors Club (LTIC), TSKB took its place in European Long-Term Investors Association (ELTI) and International Development Finance Club (IDFC) as the only member from Turkey. In 2015, the Bank signed the Climate Change Summit (COP21) declaration of ELTI and IDFC for transition to low-carbon economy.

TSKB became a constituent of 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.

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.

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".

Adding women empowerment, TSKB opened a new chapter in its social responsibility projects which have been implemented since 2000s. TSKB takes key steps to empower the women employees of tomorrow in terms of education and equal opportunities.

## TSKB IN 2018

In 2018, TSKB secures the largest loan 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.

The Bank defines its advisory solutions as "products of collective wisdom" and uses them to offer a wide-range of value-added services to the business world and investors. TSKB successfully completes 63 consultancy projects in more than 20 sectors in 2018.

# FIRSTS & INNOVATIONS

## 1950s

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

## 1960s

- 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

## 1970s

- 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

## 1980s

- Issue its own bonds in international capital markets
- Conduct manufacturer surveys among various sectors
- Extend export insurance loans secured 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

## 1990s

- 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 EBRD in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertake a voluntary "Risk Management Review" supported by World Bank

TSKB, established for the development of Turkish private sector, paved the way for innovative and sustainable banking.

## 2000s

- 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 remove 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

## 2010s

- UNEP FI and Global Compact membership
- First and only Turkish development and investment bank to be granted a membership in Long-Term Investors' Club (LTIC)
- First and only Turkish bank as a supervisor member 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
- Eliminating individual carbon footprints of corporate stakeholders
- First green/sustainable bond of Turkey
- The world's first "Subordinated Sustainable Bond"
- First financial institution securing loan facility from Asian Infrastructure Investment Bank (AIIB) targeting private sector investments
- 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"

# AWARDS & ACHIEVEMENTS

## BANKING AWARDS

Project Finance Deal of the Year (2018)  
**Bonds&Loans Turkey**

M&A/Acquisition Finance Deal of the Year (2018)  
**Bonds&Loans Turkey**

Structured Loan Deal of the Year (2018)  
**Bonds&Loans Turkey**

Natural Resources Finance Deal of the Year (2018)  
**Bonds&Loans Turkey**

Syndicated Loan Deal of the Year (2018)  
**Bonds&Loans Turkey**

Bond Deal of the Year (2018)  
**Bonds&Loans Turkey**

Best Syndicated Loan in Central and Eastern Europe Tredaş (2017)  
**EMEA Finance**

Best Syndicated Loan in Central and Eastern Europe Aksa Natural Gas Distribution And Kazancı Holding (2017)  
**EMEA Finance**

Best Infrastructure Deal Galataport (2017)  
**EMEA Finance**

Best Privatization Deal in the Middle East and Africa Galataport (2017)  
**EMEA Finance**

Financial Institutions Financing Deal of the Year (2017)  
**Bonds&Loans Turkey**

Infrastructure Finance Deal of the Year (2017)  
**Bonds&Loans Turkey**

Syndicated Loan Deal of the Year (2017)  
**Bonds&Loans Turkey**

Transport Finance Deal of the Year (Runner-Up) (2017)  
**Bonds&Loans Turkey**

Best Infrastructure Project Kızildere 3 Geothermal (2016)  
**EMEA Finance**

Best National Resource Project Finance Yeniköy Kemerköy (2015)  
**Bonds, Loans & Sukuk Turkey**

Best-Structured Finance Project/Etlik PPP (2015)  
**Bonds, Loans & Sukuk Turkey**

Best Energy Infrastructure Deal in Europe (2011)  
**Euromoney**

Best Hydroelectric Project in Europe (2011)  
**Euromoney**

Best Equity House (2011)  
**EMEA Finance**

Best Clean Technology and New Energy Investor (2011)  
**The New Economy Magazine**

Best Solution Partner in Wind Power in Turkey (2011)  
**TIREC**

European Geothermal Deal of the Year (2008)  
**Euromoney**

Infrastructure Deal of the Year (2008)  
**PFI**

Project Finance Deal of the Year (2008)  
**Euromoney**

Best Corporate Merger and Acquisition (2005)  
**Euromoney**

Best Local Business Partner (2004)  
**Euromoney**

Best Investment Bank in Turkey (1997, 1998, 1999)  
**Euromoney**

Highest Rating Given To a Bank - Developing Countries Category (1998)  
**Thomson Bankwatch**

Best Research Institution in Turkey (1997)  
**Emerging Markets Investor Magazine**

TSKB's role and strategy in several areas attract attention as a model and get awarded.

## SUSTAINABILITY AWARDS

Best Green Bond in Central and Eastern Europe (2017)  
**EMEA Finance**

Structured Finance Deal of the Year (Winner) (2017)  
**Bonds&Loans Turkey**

International Bond Deal of the Year (2017)  
**Bonds&Loans Turkey**

Sustainable Bond Issuance of the Year (2016)  
**IFR**

Green/Sustainable Bond Issuance of the Year (2016)  
**Global Capital**  
Low Carbon Hero (2016)  
**Sustainable Production and Consumption Association (Süt-D)**

Low Carbon Hero (2015)  
**Sustainable Production and Consumption Association (Süt-D)**

Climate Disclosure Leadership (2015)  
**CDP**

Climate Change Leadership (2013)  
**CDP Turkey**

One of the Top Three Banks in Sustainable Banking in Europe (2011, 2013)  
**FT&IFC**

Bronze Award -Sustainability Report Category (2012)  
**Astrid Awards**

Supporter of Sustainable Eco-Friendly Products and Practices (2010)  
**Istanbul Chamber of Industry (ISO)**

Sustainable Bank of the Year in Eastern Europe (2008, 2009, 2010)  
**FT&IFC**

## CORPORATE GOVERNANCE AWARDS

Women Empowered Boards Special Award (2018)  
**Sabancı University Corporate Governance Forum**

Company with the Second Highest Corporate Governance Rating Score (2015)  
**Turkey Corporate Governance Association (TKYD)**

Highest Score in Multi-Stakeholder Approach For Transparency in Corporate Reporting (2015)  
**Transparency International Turkey**

Company with the Highest Corporate Governance Rating Score (2011, 2013, 2014)  
**Turkey Corporate Governance Association (TKYD)**

Honor Award for Best Annual Report - Print Category (2011)  
**Stevie Business Awards**

# STRATEGY, PERFORMANCE AND 2019 EXPECTATIONS

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# EXTERNAL FACTORS

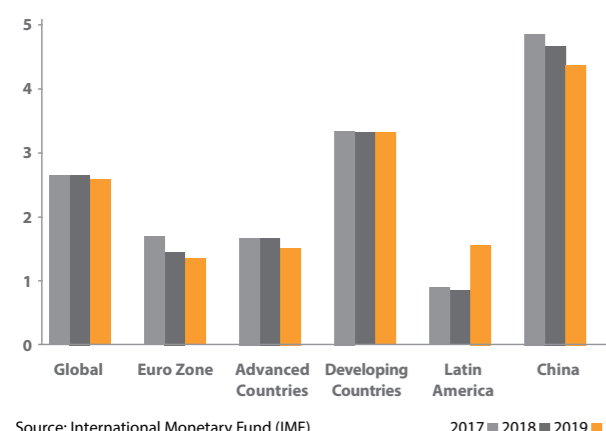
## ECONOMIC DEVELOPMENTS

### GLOBAL ECONOMIC DEVELOPMENTS

In 2018, the global economy grew by 3.7% to repeat the growth in 2017, the year for which the IMF estimated the biggest growth in the last 6 years. Despite the intentional slowdown in the growth of the Chinese economy by state policies and a weak growth in developing countries, global growth remained the same, thanks to the growth in developed countries maintaining its strength. This proves the fact that there is a shift of balance in global economic growth.

It is estimated that the global economy will grow by 3.5% in 2019. Such estimation by the IMF points out to a 0.4-point downward revision compared to that announced at beginning of 2018. For 2019, it is projected that trade wars will slow down the growth in the U.S. economy, the recession in the Chinese economy will continue, and the liquidity support by the European Central Bank will continue in consideration of the concerns for a lower growth in Eurozone.

### GROWTH ESTIMATIONS (%)



Although global growth was strong in 2018, recent developments point to the challenges in sustainability of this strength. Such developments can be specified as, tightening measures in monetary policies, trade wars, increased geopolitical risks and weaker capital flows into developing countries.

Most of the steps regarding global policy rates in 2018 were rate hikes. In 2018, the Federal Reserve (Fed) hiked interest rates at every other meetings, raising the policy rate from 1.25-1.50% to 2.25-2.50% gradually. The European Central Bank did not change interest rates but reduced monthly bond purchases from EUR 30 billion to EUR 15 billion as of September and subsequently terminated the program at year-end. The Bank of England hiked the policy rate by 0.25 points despite the uncertainties regarding Brexit. Similar to the Fed, the Bank of Canada hiked policy rate 3 times by 0.25 points each. In 2018, the Swedish Central Bank hiked the interest rates for the first time since 2011.

The U.S. emerged as the main player in major economic developments in 2018. The U.S. announcement in March that it would start imposing countervailing duties on import steel products triggered a series of duty steps which would remain the top item on the agenda for the remainder of the year and have impact on the global growth expectations for 2019. During the G20 leaders summit in Argentina on November 30, 2018, the USA and China declared a 90-day truce and suspended recent additional tariffs, albeit temporarily. Possible new steps in trade wars will occupy a key position on the global economic agenda in the first quarter of 2019. Another step by the U.S. was its withdrawal from the nuclear treaty of 2016 signed between the five permanent members of the UN and Iran.

It is estimated that the growth in global economy will decelerate to 3.5% for 2019.

Capital flows into emerging markets that have balance of payments issues fluctuated due to country-specific political problems as well as the shrinking global liquidity and the negative implications of the trade wars. June and October were marked with capital outflows, with the annual inflow worth USD 200 billion remaining lower than the USD 246 billion in 2017.

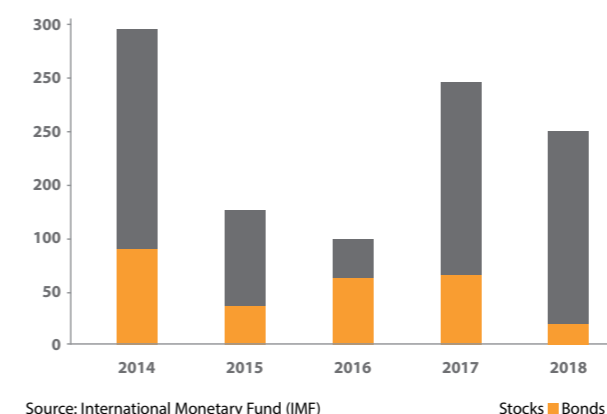
Tightening steps in developed countries and declining capital inflows led the developing countries hike their policy rates. Brazil halted the 10-month rate cut period while Mexico, South Korea, Indonesia and India hiked their rates by 0.50, 0.25, 1.75 and 0.25 points respectively throughout the year.

These developments which are expected to have long-term impacts on economic indicators, led to market fluctuations in 2018.

The U.S. stock markets closed the year with a 7% fall, deleting the 9% rise recorded in the first 9 months of the year. Seen as monetary policy normalization steps, interest rate hikes led to increases on bond yields. The 10-year U.S. government bond yield started the year at 2.41% and rose to 3.20% during 2018 before declining to 2.69% in the last quarter of the year.

Concerns surrounding global growth started to have impact on interest rate expectations into 2019. Expectations mainly focus on the Fed not hiking the rate by more than two times and the European Central Bank updating the timing of the first hike, which was planned for 2019 summer, as the second half of 2019. Fading expectations for tightening steps in developed countries' monetary policies can be seen as positive news for the emerging markets. However, such positive impact may not be felt in the short run due to a potential weakening in the global risk appetite arising from growth concerns. Markets in developed countries are expected to recover in the second half of the year.

### PORTFOLIO FLOWS TO EMERGING MARKETS (USD billion)



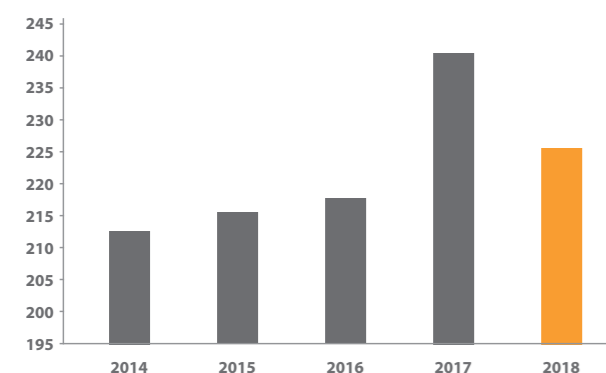
In 2018, Brent crude fluctuated between USD 55 and USD 86. Starting the year at USD 66, Brent rose to USD 86, the highest for the last 4 years, due to the production cuts by OPEC countries, strong growth expectations, rising geopolitical risks in the Middle East, production cuts in Venezuela and Canada, and the expectation that the U.S. would withdraw from Iran nuclear deal. In the aftermath of these developments, the price per barrel of Brent crude fell to USD 57 after the OPEC decision to increase production, coupled with the concerns on the sustainability of global growth. OPEC countries met in Vienna in the last month of the year to discuss such developments and decided to reduce daily production by 1.2 million barrels as of the beginning of 2019. The price stood at USD 55 at year-end, and the changes in the price will be a key indicator for economic growth in 2019.

## EXTERNAL FACTORS

### DOMESTIC ECONOMIC DEVELOPMENTS

The Turkish economy was under the influence of rising in borrowing costs due to shrinking global liquidity linked to the normalization steps in the monetary policies of developed countries and negative geopolitical developments. 2018 emerged as the year of private sector's deleveraging for the foreign loans. Foreign debt stock for the private sector stood at USD 240 billion at the start of the year but fell to USD 226 billion at 2018 year-end.

#### PRIVATE SECTOR FOREIGN DEBT (USD billion)



Source: CBRT

Declining foreign debt and the weakening foreign capital inflow put pressure on currency exchange rates. Starting the year at 3.77, USD/TL reached 5.28 at year-end, posting an annual 40% rise. Rising exchange rates increased the inflationary pressure, due to high dependence on imported inputs in production. Also the foreign exchange costs of the companies as they had a considerable level of FX-denominated debts increased. In 2018 annual inflation surged from 11.9% to 20.3%.

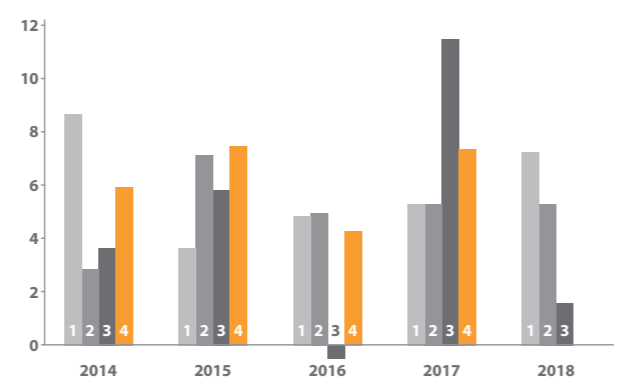
There were positive developments in the foreign trade and current account, due to strong growth outlook in Eurozone in the first half of 2018, largest export market of Turkey and deployment of new export markets. Annual foreign trade deficit declined from USD 77 billion to USD 55 billion, while current account deficit fell down to USD 28 billion from USD 47 billion.

Growth outlook of the Turkish economy contained downside risks due to a volatile foreign exchange rate and rising inflation

environment. On an annual basis, growth rate stood at 7.2% in the first quarter before retreating to 5.3% in the second quarter and to 1.6%, the lowest of the last 8 quarters, in the third quarter. Household consumption expenditures weakened as compared to the beginning of the year, and positive developments regarding the foreign trade deficit emerged as the only positive factor for growth.

The field of investments (fixed capital formation), TSKB's focus area, followed a downward trend in 2018. Fixed capital formation grew by an annual 7.9% and 4.2% in the first and second quarters respectively, and then receded by 3.8% in the third quarter. The slowdown in fixed capital formation was evident in both construction and machinery&equipment sectors. Turkish Statistical Institute (Turkstat) data shows that construction industry grew by 10.6% in the first quarter and by 7% in the second quarter but fell by 1.8% in the third quarter. Machinery and equipment investments shrank by 8.5% in the third quarter after growing by 6.3% and 0.6% in the first two quarters of the year.

#### QUARTERLY GDP GROWTH (%)



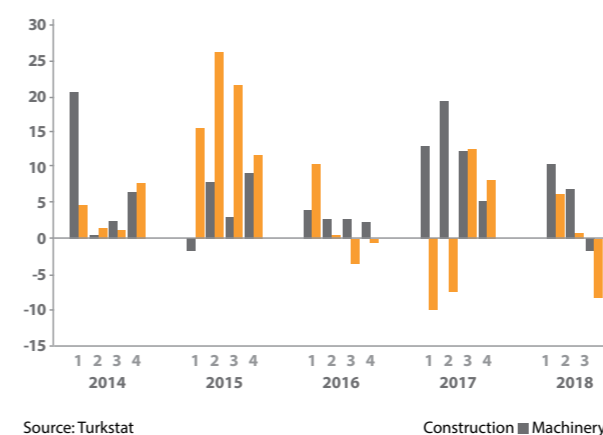
Source: Turkstat

1. Quarter ■ 2. Quarter ■ 3. Quarter ■ 4. Quarter ■

It is estimated that the economic re-balancing, which became more evident after industrial production and imports fell in the last quarter of 2018, will continue in the first half of 2019. For the second half of the year, a moderate recovery is expected. Although upside risks in inflation remain due to expected delayed impact of rises in foreign exchange rates, it is estimated that the downward trend will be clearer once high base effect from last year is seen and of the impact of rising foreign exchange rates fade.

It is expected that the re-balancing of the Turkish economy will continue in the first half of 2019, followed by a moderate recovery in the second half.

#### FIXED CAPITAL FORMATION (annual change, %)



Source: Turkstat

Construction ■ Machinery ■

Due to rebalancing in the economy, rises in foreign exchange and inflation rates and the shrinkage in portfolio flows into developing countries, Borsa Istanbul - 100 index, that started the year at 114,480, closed at 91,270 with a 20% fall. Banking index declined by 31% on an annual basis.

TSKB share welcomed the year at TL 1.20 and completed it at TL 0.81 with a decline of 32% in parallel with the sectoral performance. (See 2018 Financial Performance and 2019 Expectations)

### SECTORAL DEVELOPMENTS

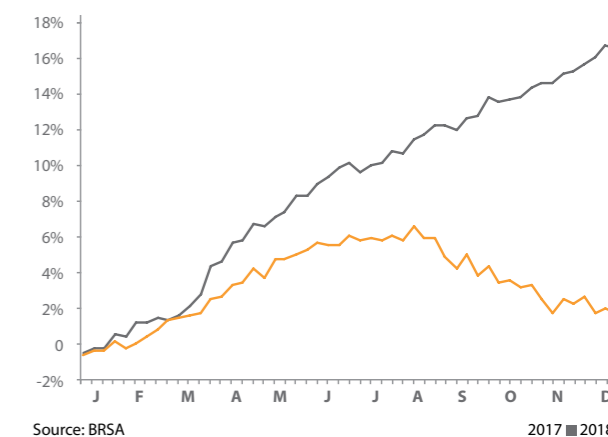
Rapid economic developments, coupled with the changes in regulations, carried the banking sector to the top of the agenda.

Changes in banking indicators such as loans, non-performing loans and capital adequacy were closely monitored by all stakeholders in the sector. At the beginning of 2018, it was expected that the growth in loans would slow down as compared to 2017, when the loan volume was strongly supported by the Credit Guarantee Fund. However, loan growth decelerated beyond expectations under the impact of international developments and fluctuating foreign exchange rates throughout the year.

Total loan growth stood at 15% in 2017 but declined to 1.8% in 2018 on a currency-adjusted basis. TL loans increased by 4.5% while FX loans fell by 2.8%. In 2018, consumer loans increased by

0.6% and corporate loans rose by a mere 1.5% as a consequence of falling investments. Corporate loans of private banks receded by 7.8%.

#### LOANS (YtD change, currency-adjusted)



Source: BRSA

2017 ■ 2018 ■

It is estimated that sector's loan growth would stay flat in 2019 in parallel with the expectation that economic re-balancing started in the third quarter of 2018 might continue due to the delayed impact of the past increase in foreign exchange rates.

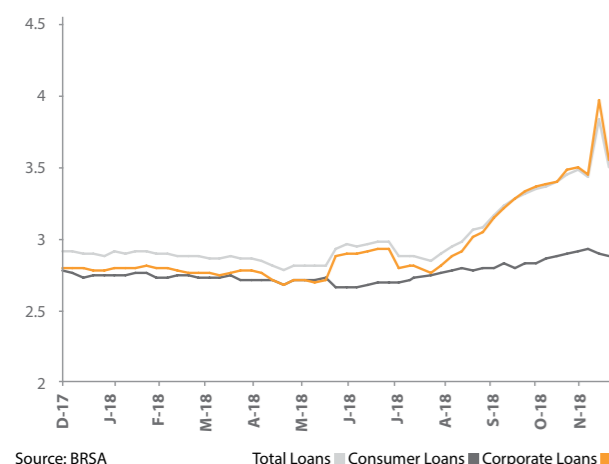
In 2018, TSKB's total loans stayed flat on a currency-adjusted basis as a result of the deceleration in economy and sector's total loans. The Bank pursued a controlled lending strategy in that period through efficient risk management policies. Utmost care is expended for the protection of the Bank's resilient financial structure in line with its mission.

TSKB estimates a currency-adjusted growth of 5% in total loans in 2019. This growth will be delivered in accordance with the Bank's mission and funding themes. (See 2018 Financial Performance and 2019 Expectations)

## EXTERNAL FACTORS

Non-performing loans in the sector increased due to the transition to Turkish Financial Reporting Standard (TFRS 9) as well as the cautious approach adopted by banks in loan classification due to increased volatility in the financial markets. Furthermore, there were declines in loan collections owing to the slowdown in economic activity and the increase in financial expenses of the debtors. The share of non-performing loans in total loans in the sector rose from 2.9% to 3.7% while the share of non-performing corporate loans increased to 3.8% from 2.7%.

### NON-PERFORMING LOANS (%)



It is estimated that the acceleration observed in non-performing loans in the second half of 2018 will continue, due to limited loan growth estimation and the adverse impact of the slow-down in the economic activity on the companies. It is expected that the NPL ratio of 3.7% at end-2018 may rise up to 6% in 2019.

The banking sector maintained capital adequacy under the impact of measures by regulatory authorities despite the recession in economic activity and the relatively more challenging financial conditions. Data by BRSA indicates that capital adequacy standard ratio and core capital adequacy ratio which were 16.9% and 14.1%, respectively at the beginning of the year, stood at 17.3% and 13.8% respectively at 2018 year-end. Bank capitals will be reinforced by profitability in 2019 and are estimated to maintain a robust position.

## REGULATIONS AND LEGAL AMENDMENTS BY AUTHORITIES

### POLICIES OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

Central Bank of the Republic of Turkey (CBRT) made significant amendments in its policies in 2018 due to increasing volatility in financial markets arising from both domestic and external factors.

Following the increase in upside risks regarding inflation, CBRT hiked the market lending rate by 425 basis points in the first half of the year and simplified its policy framework at the end of May. From that date on, CBRT shifted market lending from late liquidity window to weekly repo auctions and declared the one-week repo rate as the policy rate. The funding rate was hiked from 12.25% at the beginning of the year to 24% after tightening measures had been taken. At year-end, overnight lending rate stood at 25.50% while overnight borrowing rate and late liquidity window rate were 22.50% and 27% respectively.

Reserve requirements were adjusted aiming to take fluctuations foreign exchange rates under control. Under the Reserve Option Mechanism (ROM), the upper limit for the FX maintenance facility was lowered initially from 55% to 45% and then to 40%. The method of determining the remuneration rate for required Turkish Lira (TL) reserves was changed. Accordingly, it was decided to set a rate 400 basis points lower than the CBRT's one-week repo auction rate as a fixed rate. The said rate was set at 7% as of June 1, 2018 and hiked to 13% in September. The rate for required USD reserves, reserve options and free accounts was raised from 1.5% to 2% under the impact of rate hikes by the Fed. Finally, the repayment of rediscount loans lent before May 25, 2018 with a maturity of no later than July 31 was allowed to be done in TL terms and with a fixed exchange rate on the condition that the repayment is made on time.

### MACROPRUDENTIAL MEASURES AND FORBEARANCES

- Decree No. 32 on the Protection of the Value of Turkish Currency was amended.
  - The FX borrowing of the firms with an FX loan risk of less than USD 15 million, was related to their FX revenues in the last three years. The FX-Indexed Loans Placement was terminated.
  - A new regulation was passed related to bringing proceeds of exports into Turkey.
  - It was further decided to re-issue any FX-denominated or FX-indexed agreements concluded between residents, this time in TL within 30 days of the decision.

## Bank equities will be reinforced by profitability in 2019 and are estimated to maintain a robust position.

- The total amount for money swap transactions, with FX on one end and TL on the other, which are completed between the Banks and non-residents, are restricted to 50% of the most recent regulatory capital of the related banks. This rate was reduced to 25% on 15 August. On 17 August, non-swap derivative operations were also limited.
- Limitations on derivative transactions were differentiated on a maturity basis.
- It is resolved that, until a second regulatory letter, changes in asset prices will not be considered to the extent of equity which is taken as basis to the extent of the capital adequacy ratio (terminated at year-end).
- It is decided that the higher of the 252-day simple average of the valuation rate for loan risk calculation and the FX rate of June 30, 2018 will be taken into account (terminated at year-end).
- Practice of new accounting standard (TFRS 9) introduced flexibility in terms of loan classification.

### CHANGES IN FINANCIAL REPORTING

After the launch of TFRS 9 accounting system in early 2018, the banking sector started to classify and evaluate its financial assets through the subjective intrinsic evaluation model. Under this model, the setting of the loan risk is taken as basis in classifying the banks' financial assets and calculate the reserves to be allocated. The Communique on Amending the General Communique on Corporate Tax issued by the Ministry of Finance increased the corporate tax rate applicable to the income of all institutions including those in the banking sector for the 2018, 2019 and 2020 tax periods from 20% to 22%.

STAGE 1	STAGE 2	STAGE 3
12-month expected credit loss impairment	Lifetime expected credit losses (Significant increase in credit risk)	Lifetime expected credit loss impairment (Default)
<b>General Provisions</b>	<b>General Provisions</b>	<b>Specific Provisions</b>
Initial recognition	<b>Quantitative:</b> Initial recognition date Reporting date  <b>Qualitative:</b> Loans that are overdue more than 30 days, classified as watchlist, have plan for restructuring	Stage 3 > 90 days Stage 4 > 180 days Stage 5 > 12 months

### RESTRUCTURING AGREEMENT

On August 15, 2018, the BRSA published a regulation on the restructuring of debts to the finance sector.

A Financial Restructuring Framework Agreement was made on restructuring loans of companies that have total cash and non-cash debts of TL 100 million and above to financial institutions, are subject to legal proceedings at a maximum of 25% of the total loan debt as of the date of application and are not subject to a decree of bankruptcy.

The agreement issued by the Turkish Banks Association (TBA) and signed by the parties was approved and enforced by the BRSA on September 19, 2018 but some amendments were introduced on November 21, 2018.

"Regulation on Amending the Regulation on Restructuring Debts to the Finance Sector" was published in the Official Gazette No. 30602 of November 21, 2018.

TSKB signed the first and second amendment protocols for the framework agreement issued by the TBA under the additional regulation amendment. Restructuring talks have been initiated in coordination with other banks as required by the regulation, with no current restructuring included in the Financial Restructuring Program concluded before. Restructuring not included in the scope of this regulation is delivered either individually or via a syndicate of creditor banks within the framework of TSKB's own internal regulations.



## EXTERNAL FACTORS

**Women constitute 49.8% of Turkey's total population. Despite that fact, the share of women's labor force participation stood at 34.8% as of September 2018.**

### SOCIAL DEVELOPMENTS

In the last 15 years, Turkish economy grew by an annual average of 5.8% thanks to a strong domestic demand and high government expenditures. This has made Turkey the 36<sup>th</sup> in the world and the 3<sup>rd</sup> among G20 states in terms of growth rates. In the same period, GDP per capita increased from USD 3,500 to USD 10,500.

The economy maintained a strong growth in the first half of 2018 but slowed down in the second half due to the negative repercussions of volatility in financial markets on domestic demand. Growth stood at 7.2% and 5.3% in the first and second quarters respectively but declined to 1.6% in the third quarter. In October, industrial production adjusted for calendar and seasonal effects fell by 5.7%, pointing out to a continued recession in the last quarter. It is estimated that growth may remain below the 15-year average in 2019.

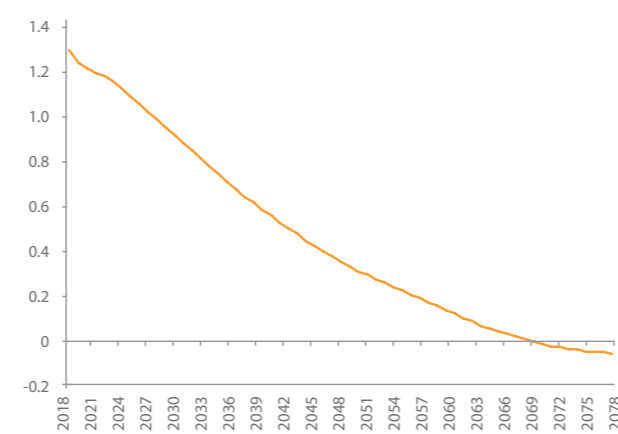
Despite a high growth rate, a single-digit unemployment rate has been achieved in only 7 years out of 15. Labor force participation rate rose from 49.6% to 54% in the last 15 years. In addition to increasing labor participation rate, population growth, technological advancements and immigration were effective in the rising unemployment.

Turkstat data suggests that Turkey's population surged to 82 million in 2018 following an annual increase of 1.47%. Turkstat estimates that population growth rate will fall below 1% 10 years later and start to decelerate rapidly afterwards. A population decrease is expected in the post-2074 period. The share of youth between 15 and 24 years of age within the total population declined from 16.3% in 2016 to 16.1% in 2017. It is estimated that this share will further decline to 14.8% by 2023.

Women constitute 49.8% of Turkey's total population. Despite that fact, the share of women's labor force participation stood at 34.8% as of October 2018. The world average is 48.6%.

With its critically important geopolitical location, our country attracts immense immigration. The number of immigrants rose from 380,921 in 2016 to 466,333 in 2017. Iraq, Afghanistan and Syria are the top three countries of origin for migrants coming to Turkey.

POPULATION GROWTH (annual, %)



Source: Turkstat

TSKB supports women's participation in labor force through its mission on inclusiveness as well as funding and loan operations focusing on women's employment. In 2018, the Bank secured an Inclusive Access to Finance Loan worth USD 400 million from the World Bank, with the Ministry of Treasury and Finance standing as the guarantor. The loan aims to support investments by women-inclusive firms in addition to private sector investments in priority development areas affected by the influx of Syrians under temporary protection. (See 2018 Financial Performance and 2019 Expectations)

### ENVIRONMENTAL DEVELOPMENTS

The New Economic Program for 2019-2021 includes the goal to switch to "Zero Waste" practices. The Zero Waste concept is called "Near Zero Waste" in the European Union countries. Although it is not possible to produce exactly zero household and industrial wastes under today's circumstances, the term Zero Waste can be defined as the goal not to produce any wastes that cannot be reused, recycled or recovered. In other words, it is an approach to end producing any wastes at all, if possible, reduce the amount of wastes produced, and put them back to economic use through methods such as recycling, recovery or reuse.

The Turkish Ministry of Environment and Urbanization aims to launch the Zero Waste Project throughout the country by 2023 and attain an annual saving of TL 12 billion. To that end, the zero waste project is expected to mitigate environmental impact and make a considerable economic contribution. The relevant legislation was promulgated by the Turkish Ministry of Environment and Urbanization. Accordingly, plastic bags will be charged at supermarkets/retail stores starting from January 1, 2019 to raise an increased awareness on the zero waste project.

"Regulation on Energy Efficiency Audits" was promulgated in the Official Gazette of July 6, 2018. The regulation stipulates that industrial facilities be audited on whether they fulfill their energy efficiency liabilities and will employ administrative sanctions. The initial scope of the regulation covers commercial buildings larger than 20,000 m<sup>2</sup>, industrial businesses with an annual energy consumption of more than 1,000 tons of oil equivalent, and public buildings larger than 10,000 m<sup>2</sup>. Furthermore, all buildings with an area of more than 50 m<sup>2</sup> are required to obtain an Energy Performance Certificate.

TSKB REIT completed the field work for TSKB headquarters buildings for an Energy Performance Certificate. The Bank is not subject to any audit requirements as the area of its buildings is less than 20,000 m<sup>2</sup> and its energy consumption is not above 1,000 tons of oil equivalent.

TSKB offers its customers environmental solutions through the loans it lends and the consultancy services it provides. The Bank also performs environmental impact assessments for the projects it finances and integrates them into decision-making processes for loans.

*The New Economic Program for 2019-2021 includes the goal to switch to zero waste practices.*

*"Regulation on Energy Efficiency Audits" was promulgated in the Official Gazette of July 6, 2018.*

### TECHNOLOGICAL DEVELOPMENTS

Technological developments accelerated as customers' evolving needs for performing banking transactions non-spatial and timeless led to an increase in demand for more technological products and solutions. It is a commonly known fact that individual and corporate customers perform most of their financial transactions online without visiting bank branches. It is apparent that developments in financial technologies (mobile payment systems, online savings tools, daily budget applications, etc.) will influence the way organizations and individuals do business.

It is expected that Blockchain, smart contracts and cryptocurrencies will influence business processes and costs in a wide range of sectors. The Blockchain infrastructure could be practically used in a myriad of areas including but not limited to finance, fund transfer, payments, capital markets, asset management, e-commerce, politics and art, and is expected to lead to a significant transformation in banking.

The importance of being close to customers and customer data in the banking sector has increased. Big data, real-time analytics and customer-focused innovation are the main concepts providing a competitive edge. Remarkable developments are observed on artificial intelligence which learns, develops itself and works like a human brain.

In order to adapt to technological/digital transformation trends in the banking sector, TSKB plans to launch research and development work on digital solutions and robotic process automation to boost the efficiency of business processes.

## CHAIRMAN'S MESSAGE



*Main mission of TSKB is to support economic development, transfer funds to development or, in other words, to value-generating enterprises and offer versatile services.*

### ESTEEMED STAKEHOLDERS,

#### AMID THE GLOBAL ISSUES WHICH WE ARE WAITING TO BE SOLVED

It is estimated that the global economy posted robust growth in 2018. However, developments within the year point to an increasing downside risks. Issues such as rise of protectionist policies in different regions of the world including in particular the trade war between the USA and China, rising political tension between different blocks, global migration issue, conflictory atmosphere in the Middle East and have Brexit posed serious risks against the development of the global economy and international trade.

Global economy to move in a sustainable growth path requires the harmonized cooperation of all economic actors and accordingly, economic policies composed of monetary and fiscal mechanisms with a different perspective are needed. In this respect, we hope that ultimate intelligence will manage globalization in a proper way and, in other words, politics, economy and technology will function in an accord. If this is provided, the achievements of globalization will be even stronger and global development will fulfill its true potential, which will make it possible to disperse welfare much evenly and extend peace at global level. Besides, a global system and economic policy functioning in harmony will bring down a more effective

In 2018, having operated in line with its strategic objectives with a risk-oriented perspective, TSKB continued to generate value for its stakeholders.

and efficiently operating financial system. A global and regional growth potential for both commercial banking and development and investment banking will be increasingly reflected on the performance of institutions.

#### ...TURKISH ECONOMY ENTERED INTO REBALANCING PERIOD IN 2018.

Turkish economy entered into rebalancing period in 2018 due to elevated geopolitical risks fueled by its geography. Mounting volatility in exchange rates led to an escalation in inflation and interest rates followed with uncertainty in financial markets. The short-term turbulence was overcome through the incentives announced by the economy management for the real sector and the relevant financial regulations. The volatility in TL value decreased due to the export volume breaking historic records on monthly basis and current account surplus. After our country fully overcomes this volatile period, we believe that respective economy actors will fulfill their duties and the finance industry will achieve a growth performance that is a few times higher than its potential.

#### BEING ONE OF THE LEADING INSTITUTIONS FOR DEVELOPMENT BANKING GLOBALLY...

TSKB is the first private development and investment bank of Turkey.

Main mission of TSKB is to support economic development, transfer funds to development or, in other words, to value-generating enterprises and offer versatile services. I take the pride in stating that TSKB, which was established in 1950s with the initiation of the World Bank and the valuable brands of the Turkish finance world, had a considerable contribution to the development of our national economy without discrimination of sectors since its establishment.

Within this period, the bank has concretized its support by making funds accessible to hundreds of infrastructure and superstructure projects that are of vital importance for the national economy.

Considered as one of the most bolstered brands in the finance world of our country, TSKB has also pioneered and accomplished unique and exemplary projects in the areas of combating climate change, renewable energy, energy efficiency, women employment and empowerment.

#### ... TSKB GENERATED GREAT VALUE FOR ITS STAKEHOLDERS WHILE TAKING FIRM STEPS.

In 2018, having operated in line with its strategic objectives through a risk-oriented perspective, TSKB continued to generate value for its stakeholders. The Bank strengthened its position in the advisory services in addition to corporate banking and investment banking activities. Accomplishing successful projects in synergy with its affiliates, TSKB also continued to engage in long-term activities regarding corporate social responsibility and created value in the fields of culture and arts.

We believe that TSKB will assume more responsibility for leading sustainable growth in the ever-developing world, especially within the Turkey's geography.

Through the integrated thinking capacity, the Bank will continue to inject more funds to the economy, contribute to the welfare of the society via its thematic loan programs and support the private sector of Turkey.

#### WITH ITS WELL-DEFINED PRIORITIES AND STRATEGY, TSKB IS POSITIONED AS A SOUND GROWTH-ORIENTED DEVELOPMENT BANK IN 2019 AS IN THE PAST.

Our professional management team and competent human resources execute their duties with passion and belonging. As long as this approach is prevalent in TSKB, it will possible for us to fulfill our strategic objectives and contribute to the strong future of Turkey.

I would like to extend my deepest regards to you, our valuable shareholders, for your continuous support, to our board of directors for their valuable guidance and to our entire team for their devoted efforts.

Sincerely,

H. Ersin Özince  
Chairman

## CEO'S ASSESSMENT



*In its 68<sup>th</sup> year, TSKB continued to provide a versatile contribution to Turkey's development and sustainable growth.*

### EMERGING FROM THE VOLATILE ENVIRONMENT OF 2018...

The decoupling in the growth outlook between developed and emerging economies signified that the global economy had entered a new era in 2018. The determinants of this new era were the tightening in financial conditions and the increasing cost of capital. A narrowing in global liquidity as a result of the normalization steps in monetary policies taken by developed countries and an increase in borrowing costs stand out as the reasons triggering this shift.

Accompanied by global developments and geopolitical risks in our surrounding region, Turkey's economic performance demonstrated a significant difference between the two halves of the year in 2018. Having maintained its strong growth performance in the first half of the year, Turkish economy entered a period of balancing, undergoing a volatile period in the second half, particularly in August and September. Increasing volatility in exchange rates led to a rise in interest rates and inflation, and contraction in domestic demand. Delays and cancellations in investments and spending took their toll on trading activities, causing financial difficulty for many firms. In this environment, the

**The strategies, which we have recently put into practice and the philosophy of sustainable banking, which we are pioneers of, bring us closer to our goal each and every year.**

need for restructuring of loans stood out as a major agenda item in the banking sector. Thanks to its strong asset quality and equity structure, the banking sector maintained its solid stance, strongly and comfortably supporting the economic balancing policies implemented by the regulatory authorities.

### ... TSKB IS FOCUSED ON LOAN MONITORING ACTIVITIES, CONCENTRATING ON MAINTAINING SOLID BALANCE SHEET STRUCTURE AND STRENGTHENING ITS LIQUIDITY.

In its 68<sup>th</sup> year, TSKB continued to provide a versatile contribution to Turkey's development and sustainable growth. At the same time, the Bank took a proactive approach focused on loan monitoring activities in the face of financial volatility, concentrating on maintaining a solid balance sheet structure and strengthening its liquidity.

By the end of 2018, TSKB's total assets stood at TL 38.3 billion. Our net operating profit before provisions increased by 50% YoY to TL 1.3 billion with a net profit of TL 661 million, marking 11% YoY growth.

In 2018, the Bank provided approximately USD 2 billion of support to the real sector through cash and non-cash loans.

The Bank's total loans rose by 26% YoY to TL 28.2 billion by the end of 2018. In parallel with its growing loan portfolio, the Bank was more focused on maintaining its healthy financial structure than ever.

Our total equity reached at TL 4.7 billion, resulting in a 16.2% capital adequacy ratio - higher than the level set by the regulatory authority.

### A FOCUS ON SUSTAINABLE BANKING, BASED ON OUR MISSION AND OUR POSITION IN THE SECTOR.

At TSKB, our goal is to move forward by improving our positioning in the fields of corporate banking, investment banking and consultancy. In 2018, a year of extraordinary developments, I think we have now left the worst behind us and are now in a recovery process, thanks to the implementation of decisive and policies following the fluctuations in the markets. Our economy offers significant investment opportunities on the basis of strong foundations. We look forward to our country's future with hope and continue to work hard in our financing and consulting

operations to provide the support needed by our private sector. The strategies which we have recently put into practice, and the sustainable banking philosophy which we are pioneers of, brings us closer to our goal every year, which I have outlined above.

The developments in 2018 strongly confirmed that we remain a preferred business partner for our domestic and international stakeholders in addition to proving the accuracy of our business strategies.

### WELL POSITIONED FUNDING ENGAGEMENTS IN 2018

In January 2018, TSKB issued a USD 350 million 5-year Eurobond in the international markets. This was among the first issuances of the banking sector in Turkey in 2018, collecting USD 1.1 billion in demand from different regions on a global basis, with the issue being three times oversubscribed. This represented a satisfactory result in terms of the interest that TSKB's issuances inspired in different investor populations.

### THE LARGEST LOAN AGREEMENT IN THE BANK'S HISTORY

On June 7, 2018, through an Inclusive Access to Finance Project loan agreement signed with the World Bank Group (the IBRD, International Bank for Reconstruction and Development), TSKB secured USD 400 million in long term funding.

This represents the biggest loan agreement in the Bank's history, and the significance and value of it is in its mission. Targeting two main themes, the agreement will play a key role for us in strengthening our operations in the field of inclusive financing, which we have recently added to our mission.

The first of the themes to be supported within the scope of the loan agreement is to encourage women labor force participation and to finance clients which provide women friendly working environment. The second theme is to support private sector entities which operate development priority sub-regions affected by the influx of Syrians under temporary protection.

With the World Bank Group loan, private sector companies, with a greater focus on SMEs, which are expected to provide employment support for the Turkish economy, will be funded for their working capital requirements and their investments within the scope of aforementioned themes.

## CEO'S ASSESSMENT

### TSKB COOPERATION WITH ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

In 2018, TSKB included the Asian Infrastructure Investment Bank (AIIB) in the development financial institutions from which it secures long term funding. This cooperation represented the first time in the world that AIIB provided funding for a bank to be allocated to private sector investments.

Signed on September 28, 2018, the USD 200 million Sustainable Energy and Infrastructure Investments loan will be extended for the financing of renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunication investments by private sector firms throughout Turkey.

### INCLUSIVE FINANCING CARRYING TSKB'S SUSTAINABLE FINANCING OPERATIONS TO A NEW LEVEL.

In the first stage of its sustainability journey, TSKB was involved in high value-added projects in renewable energy, energy efficiency and resources efficiency fields, generating permanent value. The sustainable banking mission has been improved with breakthrough implementations over the last 2 years. Funds secured with the themes including SMEs, increasing employment - particularly women employment - and occupational health and safety have supported our focus on the inclusive financing field.

Our goal is to improve cooperation with development financial institutions in the field of inclusive financing, and to strengthen our contribution to the Turkish economy by providing new long term funding.

**Our goal is to improve cooperation with development financial institutions in the field of inclusive financing, and to strengthen our contribution to the Turkish economy by providing new long term funding.**

### A SUCCESSFUL YEAR FOR OUR CONSULTANCY OPERATIONS

With its most valuable capital - qualified and well-equipped human resources - TSKB continued to offer value-added services throughout the year through its consultancy solutions, which are considered to be "products of common sense" for the business world and investors, gaining strength from its expertise in project evaluation, economic research and sustainable banking as well as in investment banking. Aiming to become "A bank that customers ask for advice, in addition to obtaining loans", TSKB successfully completed 63 consultancy projects in 2018 from more than 20 sectors, including iron and steel, construction, health, education and finance.

The rebalancing period that we have been going through, in particular, will be a period in which economic actors will need high value-added consultancy services more than ever. As longstanding business partners for our customers and offering intellectual added value to them, TSKB considers technical consultancy, valuation and financial modeling, educational, sectoral and regional research services as special operational fields where TSKB offers brand value. We are highly dedicated to pursue this goal in these fields.

### GUIDING THE SECTOR WITH ITS CORPORATE GOVERNANCE AND PROVIDING EQUALITY OF OPPORTUNITY

Accepting strong corporate governance as a major responsibility, with its high rating, TSKB maintains its position as one the highest ranked companies in the corporate governance index, and continues to be a pioneer in this aspect.

**Our wish to lead our achievements into to the future is enhanced by the strong support of our shareholders, investors and stakeholders.**

With its "Policy for Female Participation in Board of Directors", aimed at increasing the ratio of women in the Board of Directors to 25% and the progress achieved towards this target, TSKB was granted the special award of the Women Empowered Boards granted within the scope of the Sabancı University Corporate Governance Forum's Independent Women Directors Project in 2018.

Another development that we felt proud of was receiving the Equal Opportunities Model (FEM) Certificate from KAGIDER, awarded to companies dedicated gender equality in recruitment, training, career planning and communication.

### ESTABLISHING COOPERATION IS KEY TO PROVIDING A BETTER FUTURE FOR THE NEW GENERATION

Work to support employment, quality of life and innovation goes hand in hand with TSKB's approach to sustainable banking. Within this context, female university students are supported with the "From Education To Production" Scholarship Fund in collaboration with TEV (the Turkish Education Foundation), helping them receive a better education before joining the workforce.

The reflection of TSKB's activities on promoting equal opportunities to the field of art is materialized through the Women Stars of Tomorrow Support Fund which was established in collaboration with IKSIV (Istanbul Foundation for Culture and Arts) to support women artists which will represent Turkey on the global stage.

Another area of collaboration in 2018 which gave us great excitement was the TSKB Technology and Entrepreneurship Platform, established together with GIRVAK (Entrepreneurship Foundation). Entrepreneurs participating in the platform work on innovative business ideas and technologies which will prepare TSKB and our country for the future.

### LOOKING TO THE FUTURE

Although the international and domestic economic environments pose difficulty in the short term, our future expectations remain positive.

Our wish to lead our achievements into the future that we are proud of and that keep us motivated as a team, is enhanced by the strong support of our shareholders, investors and stakeholders. Our competence to move flexibly, our unique positioning in the sector and the products and services offered by our affiliates complementing the value we offer our customers all encourage us to gain successful and impactful outcomes.

In 2019, TSKB will continue to support the economy by allocating all the resources it secures to investments that would create employment, increase exports and provide value-added within the framework of sustainable banking and inclusivity principles.

On behalf of myself and TSKB Management, I would like to hereby thank all my colleagues - the architecture of our performance - for their dedicated work, our stakeholders and, in particular, our customers for the confidence and loyalty they have shown in the TSKB brand.



Suat Ince  
Board Member and CEO

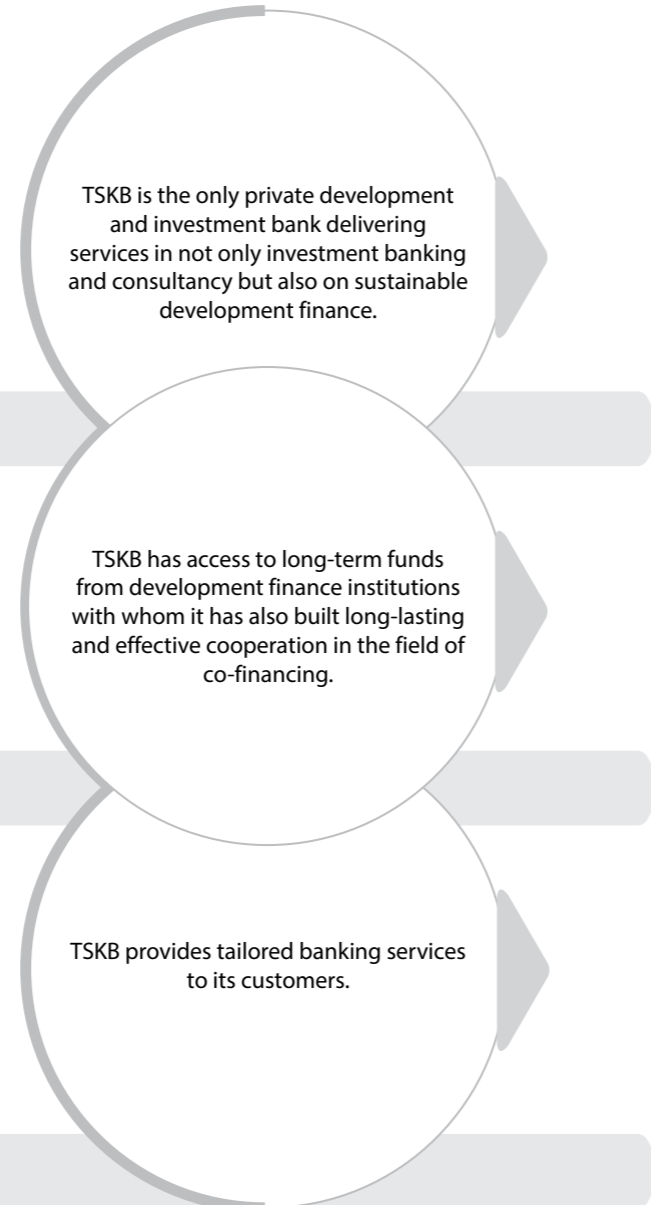
# TSKB'S STRATEGY

## 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 DOES TSKB DIFFER FROM COMPETITORS?

TSKB has three main elements that differentiate it from competition and considers these as drivers on its way to fulfilling its strategic goals.



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.

### VALUE CREATION AT TSKB

TSKB creates value in the following seven fields by using the capitals it owns at various extents.

- Inclusive and Sustainable Development
- Sustainable Financial Performance
- Exchange of Experience
- Corporate Governance
- Sustainability Management System
- Investment in Human Capital
- Corporate Social Responsibility

### TSKB'S FOCUS AREAS

- Strengthening international cooperation and developing new cooperation opportunities
- Developing various themes in line with Turkey's development plan and extending relevant funds
- Financing sustainable development
- Financing projects that support the Sustainable Development Goals
- Developing innovative products
- Closely monitoring environmental and social impacts from project finance
- Efficient risk management
- 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

### ABOUT THE FUTURE

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

- A healthy balance sheet growth
- A robust capital structure
- High efficiency
- Sustainable profitability

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.

See 2019 and 2020 Sustainability Goals

# STAKEHOLDERS AND MATERIALITY ANALYSIS

## STAKEHOLDER COMMUNICATION

*TSKB is in continuous communication and interaction with its stakeholder groups. The Bank undertakes its communication with the stakeholders through various platforms.*

Attaching great importance to engaging in sustainable dialogue with its stakeholders, TSKB benefits from each of the feedback from stakeholders as a valuable and guiding input in a wide range of topics and fields such as;

- Identifying strategic priorities
- Setting policies
- Designing business model
- Developing social responsibility projects

## TSKB'S PLATFORMS FOR STAKEHOLDER COMMUNICATION



### Shareholders

- Annual Ordinary General Assembly Meeting
- Board Meetings
- Public Disclosure Platform (PDP)
- Periodic Reporting
- TSKB Web Site and Social Media Accounts
- Teleconference Meetings for Analysts and Investors
- Investor Relations Meetings both Domestic and Abroad

### Customers

- Customer Visits and Meetings
- Marketing Communication Meetings
- Sector-Specific Meetings
- Seminars and Conferences
- TSKB Web Site and Social Media Accounts
- Online Transactions Platform - Customer Communication Form
- Economic and Sector Research Reports

### Employees

- Department Meetings
- Executives' Meetings
- Focus Group Meetings
- MT Program
- Development Workshop
- Intranet Web Site
- Regulatory Documents Platform

### Financial Institutions

- Corporate Meetings
- Capacity Building Meetings
- Field Visits
- Thematic Seminars and Conferences
- Attendance at Annual Meetings
- Staff Exchange Programs
- Periodic Reporting and Assessments

### Banking Sector

- Meetings under Sectoral Association Memberships
- Corporate Cooperation

### Regulatory Bodies

- Regular monitoring of reporting liabilities and other information flows prescribed in applicable laws and regulations
- Attendance at relevant meetings

### Media

- Press Meetings
- PDP and Bulletin Communication
- Column Writing

### NGO's

- Boards of Directors
- Working Groups
- General Assembly Meetings
- Joint Events
- cevreciyiz.com

### Universities

- Career Workshop
- Sustainability Workshop
- Thematic Course Contents

### Subsidiaries

- Board Meetings
- Joint Project Work
- Executives' Meetings

### Suppliers

- Corporate Meetings
- Feedback for Satisfaction Surveys
- Periodic Reporting and Assessments

## STAKEHOLDERS AND MATERIALITY ANALYSIS

### STAKEHOLDER ANALYSIS

#### Methodological approach

In addition to periodical contacts with all stakeholder groups during the operating cycle, TSKB also conducts regular stakeholder analysis, which is planned to be repeated every other year.

This report takes as basis the stakeholder analysis conducted in November-December 2018.

Conducted by TSKB Sürdürülebilirlik Danışmanlığı A.Ş. - Escarus, the stakeholder analysis includes a qualitative perspective for the first time in addition to the quantitative data. The project is conducted in two phases: qualitative and quantitative research. Both methods are employed to get to the most real-like stakeholder experience possible.

To ensure that the study presents integrity, the same conceptual framework was used in both in-depth interview and online survey stages. This enabled qualitative and quantitative research phases to be handled within a framework that allows them to feed each other.

The quantitative research phase for the stakeholder analysis covers the stakeholder perception on TSKB and their views on sustainability priorities. The research drew numerical results, via an online survey, from a sample to represent TSKB's stakeholder universe.

Qualitative research, on the other hand, focused on the answers to the questions "Why and how?" and aimed to collect holistic and in-depth data. In-depth interviews aimed to obtain data on stakeholder perception and attitudes regarding TSKB as well as their personal motivations.

#### Stakeholder groups participating the stakeholder analysis are as follows:

- TSKB Management
- Customers
- Employees
- Financial Institutions
- Development Finance Institutions
- Representatives from Non-Governmental Organizations / Media / Academia / Industry
- Affiliates' Employees
- Suppliers

As a result of the stakeholder analysis survey, primarily important matters for stakeholder groups are located on the materiality matrix.



The online survey form and in-depth interviews with stakeholders prompted them to rank the following in an order of importance considering TSKB's sustainability priorities.

### MATERIALITY ANALYSIS SURVEY

- Supporting the financing of the combat climate change
- Supporting the financing of adaptation to climate change
- Supporting the financing of women's empowerment
- Supporting financing for inclusive development
- Measuring environmental and social risks in all investment projects
- Diversifying sustainable finance products
- Managing the Bank's environmental and social impacts
- Full compliance with Corporate Governance principles
- Efficient risk management
- Developing digital transformation, fintech and technology projects
- Creating responsible and sustainable growth and income
- Human capital investments, employee development and increased employee satisfaction
- Diversifying social responsibility projects to raise awareness on sustainability
- Taking action for improving transparency
- Developing projects on refugees' problems
- Delivering awareness-raising projects to prevent child labor
- Developing human rights projects
- Delivering anti-bribery and anti-corruption projects
- Focusing on charity, solidarity and sponsorship activities
- Making efforts to reduce suppliers' environmental footprint
- Launching projects on encouraging entrepreneurship
- Delivering projects to improve career management and employment
- Delivering trainings on financial literacy and savings as well as financial trainings
- Conducting awareness-raising work on human rights
- Producing guiding and leading projects on the fair distribution of income
- Creating development projects
- Delivering improvement projects on harmonization with legislation
- Conducting work on developing sustainable finance products
- Assuming a leading role in ensuring that the Sustainable Development Goals are understood better and integrated into processes
- Improving customer satisfaction
- Delivering work on improving a transparent sharing of information
- Delivering projects on improving risk management
- Providing employees with development opportunities
- Developing projects on maintaining and improving the Bank's financial performance
- Strengthening relations with international fund providers
- Focusing on efforts to develop new products

# STAKEHOLDERS AND MATERIALITY ANALYSIS

## RESULTS AND ASSESSMENT OF MATERIALITY ANALYSIS

Below are the priorities of TSKB management and of all stakeholders from the stakeholder analysis.

### MATERIAL ISSUES FOR TSKB MANAGEMENT

2018 Stakeholder Analysis showed that the material issues of TSKB Management are fully compliant with TSKB's mission, main goals and strategies. The Bank's priorities explicitly include the sustainable banking understanding and related sub-themes it recently internalized, in addition to a mission to make a permanent contribution to Turkey's economic development. TSKB Management's key priorities also include Human Capital Investment and Employee Development, Improving Employee Satisfaction and Providing Employees with Development Opportunities. Other key priorities are provided below:

- Supporting the financing of the combat climate change
- Developing projects on maintaining and improving the Bank's financial performance
- Supporting the financing of adaptation to climate change
- Supporting the financing of women's empowerment
- Full compliance with corporate governance principles
- Efficient risk management
- Managing the Bank's environmental and social impacts

In parallel with TSKB's contribution to Turkish economy, it is among the Bank's top priorities to Develop Projects on Maintaining and Improving the Bank's Financial Performance. The survey also emphasizes the importance of full compliance with the corporate governance principles, a major topic for sustainable banking, and underlines once again the TSKB policy based on fair, transparent, accountable and responsible banking principles.

### MATERIAL ISSUES OF ALL STAKEHOLDERS OF TSKB

- Producing development projects
- Providing employees with development opportunities
- Supporting the financing of adaptation to climate change
- Strengthening relations with international fund providers
- Managing the Bank's environmental and social impacts
- Developing projects on maintaining and improving the Bank's financial performance

For TSKB's clients, business partners, the financial institutions it cooperates with and the initiatives it is a member of as well as its employees, it is a key priority to Develop Projects on Maintaining and Improving the Bank's Financial Performance. As one of the most experienced business partners launching projects to Improve Relations with International Fund Providers specifically, TSKB differentiates itself from other financial institutions on the market.

TSKB develops projects for development and manages their environmental and social impacts as a priority. Representing the business world, stakeholders are strongly convinced that the Bank efficiently implements its sustainability strategy, and support TSKB's strategy to grow by creating value for the country's economy.

The prioritization matrix established in line with the results from stakeholder analysis underlines that TSKB approaches the country's high quality development from the perspective of Sustainability and Responsible Banking while developing and growing in harmony with all stakeholders.

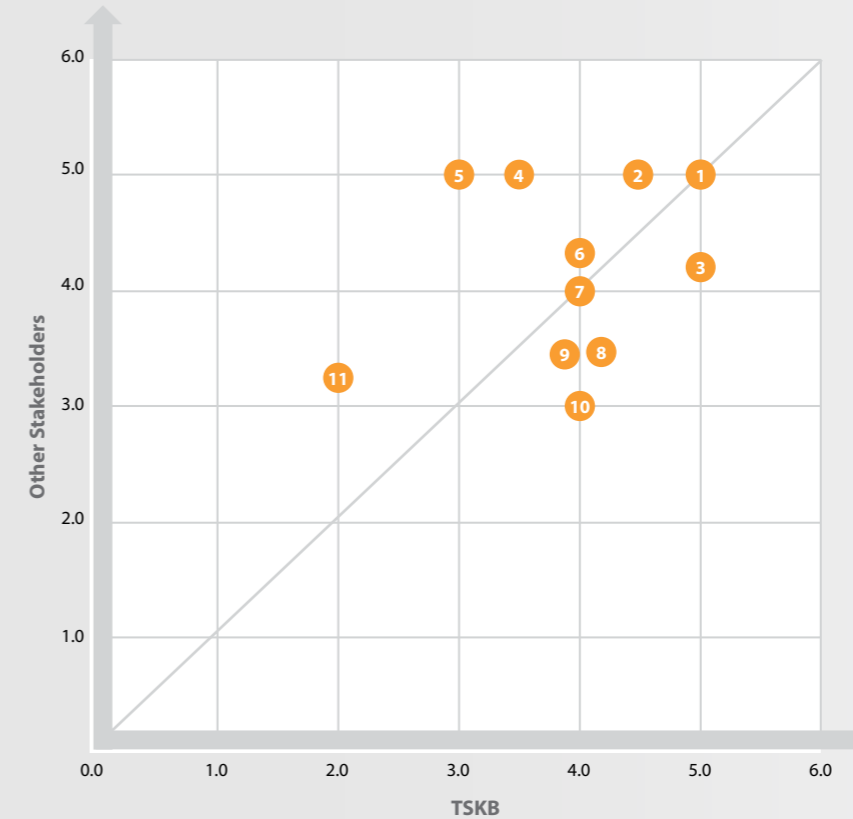
*The materiality matrix built according to the results of stakeholder analysis underlines that TSKB is growing in harmony with all stakeholders, while approaching the country's high quality development from the perspective of Sustainability and Responsible Banking.*

## INCLUSION OF MATERIAL ISSUES INTO THE INTEGRATED REPORT

*In identifying TSKB's material issues, key elements in TSKB's sustainable business model were considered in addition to the materiality analysis, such as external factors, Sustainable Development Goals and the focus on economic and social inclusiveness.*

*Therefore, the integrated report also provides details on certain matters such as Social Responsibility that were not listed as a top priority in the stakeholder analysis survey and specifically handles them within the perspective of Sustainable Development Goals and inclusiveness.*

### PRIORITIES (TSKB and stakeholders)



- 1 Providing employees with development opportunities
- 2 Developing projects on maintaining and improving the Bank's financial performance
- 3 Supporting the financing of the combat climate change
- 4 Managing the Bank's environmental and social impacts
- 5 Producing development projects
- 6 Efficient risk management
- 7 Supporting the financing of adaptation to climate change
- 8 Full compliance with corporate governance principles
- 9 Support for employment
- 10 Supporting the financing of women's empowerment
- 11 Strengthening relations with international fund providers

# CAPITALS

## INPUTS

### FINANCIAL CAPITAL



- Diversity of funds
- Provision and lending of medium- and long-term funds
- Access to state-guaranteed funds
- Robust capital

### HUMAN CAPITAL



- Investing in employees
- Equal opportunities
- Social benefits
- Employee clubs

### NATURAL CAPITAL



- Evaluating environmental and social impact in lending processes
- Zero Carbon Banking
- Focusing on sustainability loans

### MANUFACTURED CAPITAL



- A compact campus compatible with the corporate operation structure
- IT infrastructure
- Improvement in efficiency of processes

### INTELLECTUAL CAPITAL



- 3-disciplined evaluation and analysis power based on technical, financial and economic perspectives
- Sector expertise
- Ability to develop themes and products suited for needs
- Developing know-how based consultancy
- Power of affiliates holding various expertise

### SOCIAL CAPITAL



- Long-term and efficient communication with stakeholders
- Social responsibility projects in education, culture and art
- Sharing experience
- Membership to and cooperation with initiatives

## TSKB'S VALUE CREATION FIELDS

SUSTAINABLE FINANCIAL PERFORMANCE

DELIVERING EXPERTISE AND EXPERIENCE

INCLUSIVE AND SUSTAINABLE DEVELOPMENT

SUSTAINABILITY MANAGEMENT SYSTEM

INVESTING IN HUMAN RESOURCES

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE - RISK MANAGEMENT

## OUTCOMES

- A portfolio 84% of which consists of investment and APEX loans
- Capital Adequacy Ratio of 16.2%
- Return of Equity ratio of 16%

**73%**  
Share of sustainability-theme loans in loan portfolio

- Management staff: Female: 52%, Male: 48%
- Average training hours per person: 55
- Participation rate for satisfaction survey: 85%
- Ratio of employees participating in Gender Equality Education: 33%

**52%**  
Female employee ratio

- Reinforcement of 13 million tons of annual CO<sub>2</sub> emission reduction
- Neutralizing carbon footprint of stakeholders up to 15,000 tons in the last three years
- 100% green energy usage and zero-carbon banking

**14%**  
TSKB's share in renewable energy investments in Turkey

- Efficiency in processes
- Integrated service building with affiliates
- Healthy, efficient and ergonomic work environment

**10.8%**  
Cost-to-Income Ratio

- 420 TSKB Economic Research Reports
- New information source for economy: TSKB BLOG
- Constituent in Sustainability Indices
- Developing innovative and essential themes

**420**  
TSKB Economic Research Reports

- Creating awareness of sustainability through cevreciyiz.com
- Enhancing women's participation in workforce with scholarship fund "Empower through Education"
- Supporting women artists heading to global scenes with "Women Stars of Tomorrow" Project
- 6,500 additional employment created with APEX loans
- Increasing awareness in equal opportunities through esitadimlar.com

**6,500**  
Additional employment created with APEX loans

# VALUE CREATION

Distinguishing from annual and sustainability reports, Integrated Report is focused on the companies' ability to create value in short, medium and long terms. Thus, the importance of the internalization of integrated way of thinking and acting through handling strategic priorities, future-orientation, and connectivity among information, capitals and the relationship between them for the company is emphasized.

According to International Integrated Reporting Council's (IIRC) Integrated Reporting Framework methodology, value creation process is one of the basic concepts of an integrated report. The Bank

built its value creation model, which takes place in its 2018 Integrated Annual Report in compliance with this framework. TSKB's Value Creation Model summarizes its business model that is composed by its capitals. In this business model, the inputs utilized by TSKB during its so-called operations are shaped within the framework of external factors and the Bank's strategy and are turned into products and services. Value Creation Model reveals outcome in other words value added on i) economic, ii) environmental, and iii) social axis. At the same time, TSKB's Value Creation Model describes the interaction of added value created by the Bank with United Nations (UN) Sustainable Development Goals.

TSKB, who became a signatory to the United Nations Global Compact in 2010, contributes directly to 14 of the 17 Sustainable Development Goals.



## CAPITALS

- FINANCIAL CAPITAL
- HUMAN CAPITAL
- NATURAL CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL
- SOCIAL CAPITAL

## BUSINESS MODEL



## IMPACT OF TSKB



# 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

The Bank contributed to the economy with a total of USD 2 billion in cash and non-cash loans in 2018.

## HIGHLIGHTS FROM 2018

### First bond issue from TSKB

TSKB further reinforced its strong liquidity position through a Eurobond issue of USD 350 million in January and the long-term funds it secured from the World Bank (IBRD) and the Asian Infrastructure Investment Bank (AIIB) during the year. Moreover, the Bank obtained a syndicated loan of USD 220 million from international markets in July.

### USD 2 billion contribution to economy

TSKB contributed to the economy with a total of USD 2 billion in cash and non-cash loans in 2018. The total cash loan disbursements amounted to USD 1.4 billion including APEX loans worth of USD 170 million.

### A key player in development and investment banking

TSKB's total asset size expanded to TL 38.3 billion with a surge of 32.5% compared to the previous year, thanks to a growing loan portfolio. The Bank ranks 13<sup>th</sup> in the sector in terms of its asset size and 2<sup>nd</sup> among development and investment banks. 78% of TSKB's assets were denominated in foreign currency (FX), and the Bank's capital adequacy ratio stood at 16.2% as of 2018 year-end.

### Risk-based and selective approach in lending

TSKB enjoys a market share of 34% among development and investment banks in terms of long-term loans. The Bank continued to grow its loan portfolio with a risk-based and selective approach in 2018. The Bank's total gross loans stood at TL 28.2 billion displaying an increase of 26.3% on TL-basis in 2018. The loan-to-total assets ratio was 73.7%.

### Intensifying loan monitoring activities

The Bank intensified its loan monitoring activities to watch possible risks caused by FX volatilities. A proactive approach is adopted to monitor collection performance as well as the potential impacts of the 35% rise in FX basket in 2018 on the projects it financed and the financial position of the Bank's clients, following more than 20% increase in the FX basket for the last 3 years.

### Lines of new credit extended to clients totaled USD 4.2 billion

During the year, TSKB extended a cash and non-cash credit line of USD 4.2 billion (excluding APEX) to its customers and signed new loan contracts amounting to a total of USD 1.8 billion. The Bank's active customers increased by 48% in the last three years.

### Share of investment loans stands at 75%

In line with its mission, TSKB mainly focuses on investment loans. The share of the Bank's investment loans within total loans stood at 75%, close to the share in the previous year. As of end-2018, working capital loans and APEX loans constitute 16% and 9% of total loans respectively.

92% of Bank's loan portfolio is comprised of FX loans, with 49% in USD and 43% in EUR. The share of TL loans in the Bank's total loan portfolio is 8%.

### Medium and long-term loans have a share of 88% in TSKB's loan portfolio

TSKB extends medium-term and long-term loans to its customers in line with its vision to be the leading bank in Turkey's sustainable development. As of 2018 year-end, 12% of TSKB's loan portfolio is comprised of loans with a maturity of less than 1 year and 52% is comprised of loans with a maturity of 5 years and longer. On average, each loan has a maturity of 5.5 years with a size of USD 13 million.

### A strong pick up in banking revenues

TSKB boosted its banking revenues by an annual 50%. The Bank's net income rose by 10.9% year on year and stood at TL 661 million given the annual 195% hike in provisions as a consequence of transition to IFRS 9 and the prudent provision policy. TSKB's return on equity and return on assets stood at 16% and 2% respectively as of 2018 year-end.

With respect to renewable energy projects, geothermal and solar power plants followed by wind and biomass power plants were given weight in 2018.

## ROOTED EXPERTISE IN INVESTMENT LOANS

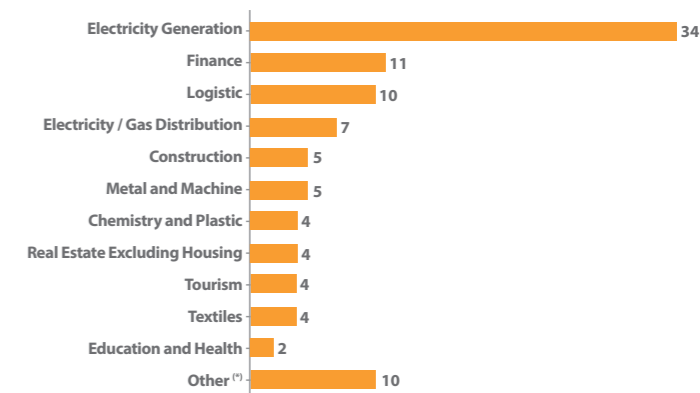
Within the scope of corporate banking business, TSKB disbursed USD 1.4 billion as cash loans in 2018. Out of this mentioned amount, USD 900 million was disbursed as long-term investment and short/medium-term working capital loans to its corporate customers. In its project finance business, the Bank extended USD 340 million to the projects syndicating with the other banks. In the same period, APEX loans stood at USD 170 million.

Regarding the new loan disbursements in 2018, electricity generation and distribution stood out, followed by energy and resource efficiency, environment-friendly real-estate and tourism and infrastructure investments, women employment enhancing investments and working capital needs of SMEs and Mid-Caps in automotive, textiles, chemistry-plastics, food, iron-steel etc. industries.

With respect to renewable energy projects, geothermal and solar power plants followed by wind and biomass power plants were given weight in 2018.

According to June 2018 data released by Turkish Banking Association, TSKB's share in project finance is 4% within the sector.

## SECTORAL BREAKDOWN OF THE LOAN PORTFOLIO (31 DECEMBER 2018, %)



(\*) Food: 4%, Automotive: 2%, Packaging: 1% Other: 3%

## TYPE OF INVESTMENTS FOR WHICH TSKB EXTENDS PROJECT FINANCE

### Energy

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

### Real Estate Projects

- Tourism and city hotel investments
- Commercial real estate and shopping mall investments

### Infrastructure / Transportation

- Logistics, transportation projects (Ports and Airports)
- Telecommunications

### Public-Private Partnerships (PPP)

- Integrated Health Campus



# 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

## RENEWABLE ENERGY

**290 PROJECTS - 6,066 MW** INSTALLED CAPACITY



**97 HPP**  
Number of Projects under Construction: 6

**Total Installed Capacity**  
4,002 MW



**12 GPP**  
Number of Projects under Construction: 3

**Total Installed Capacity**  
473 MW



**30 WPP**  
Number of Projects under Construction: 1

**Total Installed Capacity**  
1,308 MW



**15 BIOMASS/WASTE**  
Number of Projects under Construction: 7  
**Total Installed Capacity**

150 MW



**136 SPP**  
Number of Projects under Construction: 20

**Total Installed Capacity**  
133 MW

## ENERGY & RESOURCE EFFICIENCY

**141 PROJECTS**



**RESOURCE EFFICIENCY**  
**57 PROJECTS**  
Sectors:

Tourism, Chemistry, Automotive, Steel, Cement, Textiles



**ENERGY EFFICIENCY**  
**84 PROJECTS**  
Sectors:

Chemistry, Automotive, Cement, Mining, Energy, Steel, Textiles

**THE BANK EXTENDED A TOTAL DIRECT FUNDING OF USD 8.1 BILLION TO THE REAL SECTOR IN THE LAST FIVE YEARS**

Shaping its operations within a mission to produce effective solutions for long-term funding needs of private sector customers, TSKB makes high quality contribution to the sustainable growth of Turkish economy. The Bank extended a total direct funding of USD 8.1 billion to the real sector in the last five years in sectors such as renewable energy, energy efficiency, infrastructure and logistics.

Taking USD 690 million worth of APEX loans directed to SMEs into account, the total funding extended to the real sector reaches USD 8.7 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 customers a total non-cash loan of USD 600 million in 2018. Throughout the year, the Bank focused on responding to the non-cash loan needs of its customers in power distribution, electricity generation, metal and machinery sectors.

### Sound support for Turkey's development to continue in 2019

In 2019, TSKB will continue to finance investments of companies that support women's employment, environmental and occupational health and safety, R&D, energy and resource efficiency as well as exporters. At the same time, the Bank also plans to finance renewable energy projects that integrates national resources to the economy, in line with Sustainable Development Goals.

Another target of TSKB is to provide financing for investments and working capital needs of private sector in sub-regions, affected by the influx of Syrians Under Temporary Protection within the scope of the loan received from International Bank for Reconstruction and Development (IBRD) in 2018. "Besides, in 2019, the companies that have limited access to finance due to lack of collateralization are expected to be supported within the scope of Credit Guarantee Fund.

### 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 bear key importance. Renewable energy resources also enjoy a key position in terms of reducing Turkey's foreign dependency in the field of energy. Electricity generation has the largest share in the Bank's loan portfolio with a rate of 34%.

### TOTAL INSTALLED CAPACITY FINANCED BY TSKB REACHED 6,066 MW.

Since 2002, TSKB has been supporting the renewable energy projects in our country through long-term funding. The energy projects financed by TSKB range from hydropower plants to solar, wind and geothermal power plants. The total estimated installed capacity for the 290 projects financed stood at 6,066 MW, which represents 13% of Turkey's total installed capacity in renewable energy.

In 2018, renewable energy projects, mainly solar, wind, geothermal and biomass power plants were heavily financed.

It is noticeable that, at 2018-end, energy sector kept its hefty share in TSKB's loan portfolio. In the upcoming periods, TSKB is expected to continue supporting such renewable energy projects that enhances domestic energy resources in the economy.

### 87% of financed energy projects has been operational.

As of 2018-end, 87% of the power plant projects financed by the Bank has been operational. The total installed capacity of the operational projects was 5,263 MW.

While the total investment amount in power plant projects financed by TSKB between 2003 and 2018 reached USD 9.9 billion, the amount of commitments TSKB allocated to these projects was around USD 4.4 billion.

### Resource efficiency projects

Since 2013, TSKB has been supporting efforts to improve resource efficiency in our country's private sector by offering medium-term and long-term funding. The Bank extended a funding of approximately USD 1 billion for 141 projects on energy and resource efficiency as well as production processes and waste management.

Energy and resource efficiency projects represented 6% of TSKB's loan portfolio as of 2018 year-end.

In a cycle when combating climate change gradually becomes more important, TSKB anticipates that the importance of resource efficiency including energy efficiency will increase further.

### TSKB OFFERS VERSATILE SERVICES TO SMEs.

Since the day it was established, TSKB has offered different financing models in support of SMEs which are the heart of Turkish economy. The Bank finances the investments of the relevant firms in a variety of fields ranging from modernization and capacity expansion investments, and from energy efficiency to environmental projects. Furthermore, working capital needs of SMEs are covered according to the funding criteria of the funds received from international financial institutions. As of 2018 year-end, the share of SME loans lent through APEX lending within the total portfolio stood at 9%.

### INCREASING SUPPORT FOR WOMEN EMPLOYMENT

Following a loan agreement, signed with the French Development Agency (AFD) in December 2016, 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 firms operating in Turkey in 2018, finance the investments by firms that observe gender equality in working environment, and provide opportunities for women to join the workforce.

As of 2018 -end, employment opportunities were created for nearly 1,250 women via the financed projects with the women-empowerment theme.

## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

### CLOSE CO-OPERATION WITH THE DEVELOPMENT FINANCE INSTITUTIONS

"Being one of the most well-known Turkish banks by the international development finance institutions,, TSKB operates in close cooperation with 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).

TSKB continued its efforts to provide new sources from development finance institutions in 2018. During the year, total amount of thematic loan agreements secured reached to USD 600 million.

#### World Bank (IBRD) Inclusive Access to Finance Project Loan

On June 7, 2018, TSKB signed the Inclusive Access to Finance Project Loan worth USD 400 million with the World Bank (IBRD). The loan was provided under the repayment guarantee of Turkish Ministry of Treasury and Finance. This loan marks the largest singular amount of loan secured from the World Bank since TSKB was established.

This loan was structured on the basis of two main themes:

- Providing funds to private sector companies promoting women's participation in labor force and offering a suitable working environment to enable this and
- Supporting private sector companies operating in priority development sub-regions where Syrians under temporary protection (SuTP) living in Turkey are largely hosted.
- "This loan is expected to support our country's economy in terms of employment by backing the investment and working capital needs of private sector, mainly SMEs, falling under the said criteria. Commercial banks and leasing companies will also mediate the delivery of a certain portion of the loan to eligible SMEs.

#### Sustainable Energy and Infrastructure On-lending facility from the Asian Infrastructure Investment Bank (AIIB)

AIIB is an international financial institution aiming to improve social and economic outputs in Asia. The Beijing-based institution started operations in January 2016 and has 93 members including Turkey.

On September 28, 2018, TSKB and AIIB signed the Sustainable Energy and Infrastructure On-lending facility. The loan worth USD 200 million will be used to fund renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunication investments by the private sector throughout Turkey. This is the first loan provided by the AIIB globally for further lending to private sector investments. The loan is secured with the Turkish Ministry of Treasury and Finance standing as the guarantor.

#### Target improving the variety of funding sources

In accordance with its growth plans and future strategies, TSKB will continue its efforts to secure funds from international and supranational development finance institutions. In this aspect, besides currently cooperated creditor institutions, TSKB will continue to research and studies to establish new relationships like AIIB, which was added to TSKB's creditors in 2018.

#### Efficiency to improve with theme diversity

In the recent years, TSKB, has carried out studies to increase the diversity of the themes of the funds secured. Women employment, occupational health and security, supporting companies in the priority development regions affected by the influx of Syrians under temporary protection are among the new themes, TSKB introduced and added to its operation fields.

In the period ahead, the Bank will focus on diversifying the future funds under themes suiting the needs of the private sector companies and targets given in Turkey's New Economic Program and development plans mainly in manufacturing industry.

In the coming period, TSKB targets to develop cooperation in co-finance with the development finance institutions in addition to direct lending. Extending its communication with initiatives such as LTIC, ELTI, IDFC and ADFIMI where it has memberships, the Bank will continue to follow the agenda besides sharing know-how on these platforms.

Throughout 2018, TSKB continued its efforts for obtaining new funds from development finance institutions.

### STRONG RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2018, TSKB maintained close contact with local and international banks and continued to focus on enriching its relations with banks in line with the goals of diversifying funds and product development. Furthermore, it pursued an intensive and effective communication with rating agencies. A summary of TSKB's cooperation with international financial institutions in 2018 is provided below.

#### Bond Issuance by TSKB

In January 2018, TSKB issued the first Eurobond of the year in the sector. The issuance was worth USD 350 million and had a maturity of 5 years. The issuance was more than 3 times oversubscribed and reached a successful conclusion. In terms of costs, the bond issuance yielded the lowest interest rate TSKB has realized so far. As of end-2018, the share of Eurobond issuances including subordinated bond within TSKB's funds (except equity) is 25%, with a total size of USD 1.65 billion.

#### Syndication Loan

On July 3, 2018, TSKB signed a syndicated loan agreement under the coordination of Commerzbank that was participated by a total of 15 banks including Bayerische Landesbank, which also acted as the facility agent. The USD 220 million-worth syndicated loan was extended on a 367-day maturity and comprised of two different tranches, one in EUR and the other in USD. The cost of the loan was Libor + 1.45%, indicating an improvement compared to last year's transaction.

The Bank attaches importance to improving its bilateral relations with local and international financial institutions and establish new relations. On funding side, market developments will be closely monitored in 2019, and efforts will be expended to make use of bond market, syndication, bilateral funding and debt restructuring facilities in line with the Bank's cash flow and needs.



## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

### LONG TERM FUNDS SECURED BY TSKB 2014-2018

	Loan	Amount	Maturity
2014	Islamic Development Bank - Restricted Mudaraba Agreement	USD 220 million	15 years
	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
	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
2015	EIB - TSKB Energy and Environment Loan/A	EUR 100 million	12 years
	JBIC - Renewable Energy and Energy Efficiency Loan	USD 150 million	12 years
	EIB - TSKB Loan III for SMEs and Midcaps and Innovation / A	EUR 100 million	8 years
	Eurobond	USD 350 million	5 years
2016	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	EUR 150 million	15 years
	EIB - TSKB Loan III for SMEs and Midcaps and Innovation / B	EUR 100 million	8 years
	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
	TSKB Green/Sustainable Bond	USD 300 million	5 years
2017	TSKB Sustainable Tier 2	USD 300 million	10NC5
	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
2018	Eurobond	USD 350 million	5 years
	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

TSKB distributes SME loans that contributes to employment generation through the agency of commercial banks and financial leasing companies.

### TSKB - APEX LOANS MAIN INDICATORS

Name of Program	Year	Amount Agreed	Number of Beneficiary Companies (As of 2018-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	-	Ongoing
<b>Supporting SME and Exports</b>				
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>SME</b>				
TSKB FUNDING **	2017	EUR 150 million	319	Ongoing
AKKB V APEX	2016	EUR 100 million	575	Ongoing
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

### TSKB, IS THE LEADER OF APEX BANKING IN TURKEY.

Leading for APEX banking in Turkey, TSKB continued to extend to its customers the international thematic apex funding it obtained.

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 "Innovative Access to Finance Project Loan" (IA2F) secured from the World Bank in 2014.

In 2018, TSKB continued its program with Türkiye Kalkınma ve Yatırım Bankası (TKYB) with a view to financing the investments of micro, small and medium-sized firms around Turkey to be made in order to create new employment opportunities or maintain the current levels of employment with the loan provided by Council of Europe Development Bank. To this end, final beneficiaries are financed through leasing companies under the financing model developed and the cooperation of TSKB and TKYB.

TSKB continued to extend APEX loans to its customers.

The total number of new employment created through "Export Support" and "SME" funds amounted to 6,500.

## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

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.

TSKB will transfer the USD 200 million of Inclusive Access to Finance Project Loan (IncA2F) provided by World Bank to commercial banks and financial 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 2018, the total of loans extended via APEX banking reached USD 170 million and the share of such loans within the total portfolio stood at 9%.

### Support to Exports

TSKB extended a total loan of USD 1.5 million to 900 firms under 4 different EFIL (Export Finance Intermediation Loan) programs and IA2F program.

EFIL loans aim to not only support operations to boost exports by firms 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 were financed.

### Support to Employment Generation

Through other APEX loans secured from Development Finance Institutions, TSKB has provided a total loan of USD 600 million to 1,950 SMEs since 2004. By this means, the total number of new employment created through amounted to 6,500.

### INCREASING CONTRIBUTION TO BANKING REVENUES THROUGH INVESTMENT BANKING AND CONSULTANCY SERVICES

TSKB is the first and largest private investment bank in Turkey. The Bank started its investment banking operations long before the establishment of the CMB and BIST, and had been significantly contributing to sectoral development with a leading role in all product groups requiring both consultancy and brokerage services.

The Bank serves all corporate investors, of any size, operating in various sectors in line with its vision and mission, and has access to individual investors through its affiliates. It provides investment banking services on par with international standards in corporate finance, money and capital markets, and derivatives in accordance with different strategic initiatives by firms. Furthermore, it uses its intense know-how and experience from various sectors and projects to offer its customers consultancy services.

TSKB's revenues from diversified services for investment banking and consultancy make a gradually increasing contribution to banking revenues each year.

### CORPORATE FINANCE: A STRONG START FOR 2019 WITH MORE THAN 10 MANDATES

The Bank backs the growth and development of firms with its corporate finance services in which TSKB has essential experience. The Bank offers its customers services advisory and intermediary services for equity IPOs, intermediary services for bond issuances, mergers and acquisitions, asset sale and purchasing and privatization advisory.

Market fluctuations in 2018 led to an abrupt halt for IPOs, which had a fast start for the year, and a reduction in mergers and acquisitions as well as bond issuances by the private sector. TSKB with the issuing parties strategically preferred to postpone the IPO mandates it obtained for the second half of 2018 until 2019. On mergers and acquisitions front, 2018 was marked with ongoing negotiations and an expectation for a balancing of market conditions.

TSKB's marketing efforts enabled the Bank to secure more than ten new mandates in automotive, chemistry, electronics, retail, design, energy, transportation and packaging sectors, thus paving the way for a strong start for 2019 in corporate finance.

Requiring stable market conditions, Corporate Finance operations are expected to gain momentum as of the second half of 2019. To that end, 2019 is expected to be a productive year for both obtaining the revenues deferred from the previous year and closing the recently-acquired mandates.

### A KEY PLAYER IN MONEY AND CAPITAL MARKETS

TSKB is a key player in money and capital markets. 2018 was a year when normalization trends grew stronger in the monetary policies of developed countries, geopolitical risks surged, and protectionism in international trade was deeply felt. Therefore, the risk premiums in emerging markets rose and their currencies depreciated remarkably. Capital outflows from Turkey were more noticeable, causing a high fluctuation in markets. In 2018, TSKB's risk management activities through both its own balance sheet management and the derivative transactions of its customers gained importance.

### A 'risk-based' approach for position and balance sheet management

Thanks to its flexible balance sheet, TSKB accurately availed itself of the opportunities arising in such a period of increased market fluctuations and raised its income. In the meantime, the Bank also paid utmost attention to managing risks.

The Bank successfully managed its FX position in consideration of risk elements and market conditions and in line with the treasury policies. This enabled the Bank to avoid negative implications of market challenges on its balance sheet.

In order to contribute positively to profitability during the year, the volume of short-term TL loans and money market placements surged by an average 25% year-on-year.

In 2018, TSKB funded its TL securities portfolio almost entirely by the Bank's equity. In the same period, repo transactions continued in the management of TL-denominated liabilities. Furthermore, an effective cash flow management approach was adopted, and a cost advantage was gained through transactions on the swap market.

TSKB uses its cash capital to invest in risk-free and high-return securities within the framework of its liquidity management plan. At 2018 year-end, 67% of the Bank's TL-denominated securities portfolio was comprised of CPI-Linkers and other floating-rate securities while 33% was comprised of fixed-rate securities.

In order to reduce the average maturity of the portfolio in an environment of rising interest rates, new purchases mainly concentrated on short-term bonds. The average maturity for portfolio was reduced to 2.6 years, and the Bank not only maintained the return of its securities portfolio but also secured a yield of 20% in TL in such an increasing interest rate environment. In parallel with the increase in interest rates, Eurobonds mainly consisting of those issued by the sovereign were purchased to improve the yield of the FX securities portfolio.

### Increasing number of customers in treasury transactions

Under treasury product sales operations, the Bank focused on customer visits in 2018 and shared daily bulletins, market interpretations and relevant products and services with customers. Owing to such efforts, the number of TSKB customers offered derivative transactions lifted by 17% year-on-year in 2018. A successful performance was displayed in terms of derivative transactions and the sales volume for treasury products thanks to the Bank's proactive approach to customers and the increased need for hedging as caused by market fluctuations.

*In 2018, TSKB's risk management activities through both its own balance sheet management and the derivative transactions of its customers gained importance.*

*Successful liquidity management prevented any negative impacts of market fluctuations on the Bank's balance sheet.*

## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

### VALUE-ADDED SERVICES AND SOLUTIONS SHAPED BY A ADVISOR BANK APPROACH

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

Through advisory services, TSKB aims to emerge as a long-term partner for its customers in line with its strategic goals. Regarding strategic financial advisory, the Bank provides valuation services for firms, brands and licenses in addition to feasibility analysis and surveys, fiscal restructuring, strategic road map, sectoral analyses and project finance advisory.

The Bank delivers part of its services shaped by a consultant bank approach through the synergic cooperation it has established with its affiliates TSKB Real Estate Appraisal and Escarus. To that end, the Bank not only guides domestic and international investors through its visionary advisory services on real estate but also offers boutique solutions to ensure globally-acknowledged sustainability approaches are integrated into the Turkish business world.

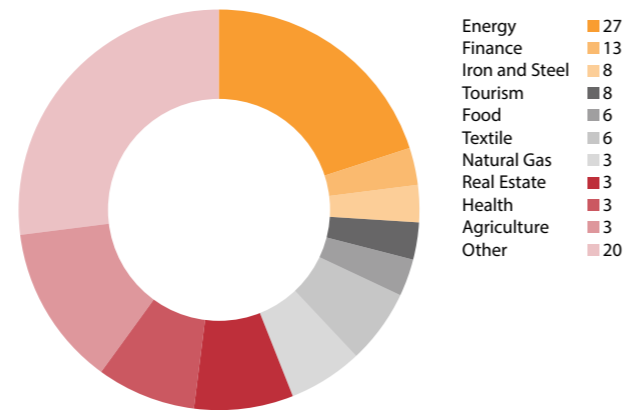
#### In 2018, TSKB successfully completed 63 advisory projects.

TSKB completed 63 advisory projects in more than 20 sectors in 2018.

The number of projects increased by 65% compared to 2017 (2017: 38 projects). Using its competence to offer multidisciplinary services, TSKB is determined to improve its advisory services and present its know-how and experience to an increasing number of customers in the upcoming period.

As a Bank that solidifies its rooted experience and know-how with its economic research activities and transfers to the business world and the financial sector, will maintain and further diversify its support to sustainable and strong development.

### SECTORAL BREAKDOWN OF TSKB ADVISORY PROJECTS IN 2018 (%)



### TSKB SIMULTANEOUSLY WORKS ON A MYRIAD OF STRATEGIC, IT AND PROCESS IMPROVEMENT PROJECTS.

In 2018, TSKB delivered projects to improve customer satisfaction, service quality, process efficiency, corporate performance management and compliance within the framework of the goals stated in the 2018-2020 strategic plan as well as the enterprise architecture principles. Below are some highlights from such work.

- Process and infrastructure work to improve corporate performance management systems, process arrangements on rendering business continuity and emergency practices more efficient, and process and infrastructure work to monitor the contribution of lending projects to economic and social development were delivered.
- The Bank performed the required infrastructure work for dynamic reporting, data quality and a centralized representation of customer and group information.
- A project was conducted to restructure the consultancy operations by TSKB and its affiliates.
- TSKB contributed to the execution and coordination of the project on establishing a national rating agency which has been launched by TBB with TSKB being involved as consultant.
- The Bank also carried out studies to improve and diversify its competitiveness in line with its strategic direction.
- Regarding Information Technologies (IT), infrastructure and integration projects to support TSKB's business continuity, efficiency, security and growth objectives were implemented. Leading projects included, among others, the integration of test automation robot into Software Development processes, the establishment of network redundancy on secondary systems for business continuity, and the launch and development of DLP (Data Loss Prevention) solutions to manage sensitive and confidential information.

In line with its strategic plan, the Bank plans to deliver infrastructure work on the transformation of human resources, infrastructure improvements in parallel with the updating of collateral process, revision of TSKB's process management model, R&D work on digital solutions to boost the efficiency of business processes, and projects on extending data quality and dynamic reporting system as well as compliance.

TSKB also plans to conclude the coordination and supervision of consultancy work on the establishment of a national rating agency, assess and monitor the Bank's competitiveness as a whole together with its affiliates in line with the Bank's medium and long-term priorities and continue with the development and improvement work.

Planned work for IT infrastructure includes the improvement of banking applications in terms of speed, simplicity and user experience, the extension of the use of test robot, the launch of a data classification solution in order to improve the efficiency of DLP systems for information security, and the upgrades in Microsoft Windows server infrastructure.

*TSKB delivered projects to improve customer satisfaction, service quality, process efficiency, corporate performance management and compliance within the framework of the goals stated in the 2018-2020 strategic plan as well as the enterprise architecture principles.*

## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

### ASSESSMENT ON FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

The Bank focused on risk management, liquidity and strong capital and completed the year with a sound balance sheet growth in 2018, which was marked by uncertainties and financial fluctuations. Total assets grew by 32.5% year-on-year and reached TL 38,298 million (USD 7,458 million).

The Bank pursued a more selective approach in loan growth in 2018. Due to conjectural reasons, loan growth was below the target that was revised down to 0 - 2% on an FX-adjusted basis at the third quarter. Loan agreements worth USD 1.8 billion in total were signed, and new cash and non-cash loans totaling USD 2 billion were placed during the same period. As a result, total loan portfolio grew by 26.3% in 2018 on a TL basis under the impact of the fluctuations in FX rates while it declined by 3% on an FX-adjusted basis and stood at TL 28,226 million.

The loan-to-total assets ratio fell slightly year-on-year and stood at 73.7% at end-2018 (2017: 77.1%).

The breakdown of the loan portfolio in accordance with various FX types (including the FX-indexed loans) was in parallel with the secured loans which were recorded as liabilities. The FX loan breakdown indicated that 43% of loans are in EUR and 49% in USD. TL loans make up 8% of the Bank's portfolio. Furthermore, 75% of the loan portfolio is comprised of investment loans in line with the Bank's mission banking.

New lending in 2018 mainly focused on electricity generation and distribution investments, energy and resource efficiency, real estate, tourism and infrastructure investments, investments supporting women's employment, and funding work for investment and working capital needs of SMEs and medium-sized enterprises. A sectoral breakdown of loans indicates that 34% of loans are allocated to the electricity generation sector, followed by finance and logistics sectors with 11% and 10% respectively. The rest of the portfolio represents a balanced distribution among various sectors. Energy and resource efficiency projects have a share of 6% within the Bank's total loan portfolio.

The NPL ratio with fully covered for loan losses as per the provisions of TFRS9 to total gross loans stood at 2.1% in 2018 (2017: 0.2%). The nominal amount of NPLs was TL 592.4 million. It was essentially one single firm that caused an above-expectations NPL ratio in 2018. It is planned that routine monitoring of the firms in the loan portfolio which was intensified in 2018 as well as efforts to closely monitor and review all loan customers will be sustained in 2019. For 2019, it is not expected that there will be any firms the loans of which will evolve into NPLs with a serious impact on the Bank's loan portfolio, except for firms the loans of which will be restructured or are required to be rendered compliant with the repayment plans via a repayment plan amendment. The share of Tier II loans in the loan portfolio is 10.4% and it is not expected to go beyond that level. Non-cash loan portfolio increased by 23% year-on-year and reached TL 3,174 million. (2017: TL 2,574 million).

The securities portfolio had the second largest share in assets with 14.3%, after loans. The total size of securities rose by 20.5% year-on-year and reached TL 5,481 million. At year-end, 71% of the securities portfolio was comprised of TL securities. 69% of the securities portfolio was made up of securities available for sale and 31% was comprised of securities held to maturity. A comparison of year-beginning and year-end showed that the percentage of "Inflation-Indexed Securities" in the TL portfolio increased from 40% to 47%, while the weight of total "Floating Rate Securities" including CPI-linkers rose from 65% to 67%. In 2018, funding costs increased year-on-year, and the yield of the total TL portfolio stood at 20.6% including CPI-linkers. The duration of the portfolio, which is almost entirely funded by free equity, is 2.6 years.

Funds secured increased by an annual 26.2% to TL 23,576 million. Almost all of this amount consisted of FX funds secured from abroad. Medium and long-term loans constitute 93% of our funding structure. The long-term funds, secured from development finance institutions are used as funds in the loan portfolio on assets side and 83% of such funds are allocated under the guarantee of the Undersecretariat of Treasury of the Republic of Turkey. In 2018, the Bank successfully maintained relations with international financial institutions. In January, TSKB issued the first Eurobond of the year in the sector on international markets. The issuance was worth USD 350 million and had a maturity of 5 years. On June 7, 2018, TSKB signed the Inclusive Access to Finance Project Loan worth USD 400 million with the IBRD. In September, the Sustainable Energy and Infrastructure Loan Agreement worth USD 200 million was signed with the AIIB. The Bank's syndicated loan agreement worth USD 220 million in total was signed on July

*TSKB posted TL 1.3 billion profit before provisions and tax with a YoY increase of 50% and a net income of TL 660.9 million with a surge of 11%. In 2018, the Bank's return on equity and return on assets stood at 16% and 2% respectively.*

3, 2018 and was participated by 15 foreign banks. Regarding the balance of assets and liabilities, our Bank is exposed to no interest mismatch and liquidity imbalances as the interest rate structure for borrowing and lending vary in terms of the balance of assets and liabilities, there exists an efficient assets and liabilities management and the maturity of funds is longer than that of lending. Loans extended and the funds used to extend those loans are denominated in the same currency, thus restricting the currency risk.

At 2018 year-end, the ratio of interest-earning assets to total assets was as high as 95%. Such a high ratio is a factor improving solvency. Furthermore, FX loans are entirely funded through long-term FX funds. The Bank has a long-term and sustainable funding structure as a result of its well-established and close relations with supranational financial institutions and it assumes an active role on international capital markets. This makes a positive impact on both profitability and solvency. Such impact is expected to continue in the upcoming period.

The Bank's equity grew by 33.5% year-on-year to reach TL 4,719 million, and its capital adequacy ratio (CAR) stood above the legally set level, at 16.2% on a solo basis and 16.0% on a consolidated basis (2017 solo CAR: 17.1%). Having a free capital of TL 3.3 billion, the Bank has a free capital-to-total assets ratio of 8.5% (2017: 10.1%). The free capital entirely consists of liquid assets.

Thanks to the contribution of CPI-Linkers and the maintained loan spread, the Bank's total net interest income rose by 68.7% year-on-year to reach TL 1,753.4 million. The Bank's adjusted net interest margin exceeded expectations and stood at 4.9% (NIM for 2017: 3.9%). For next year, a contraction in the net interest margin is forecasted due to an expected relative fall in the contribution of CPI-Linkers.

The total of the Bank's dividend income and other income grew by 186% year-on-year.

The total of the Bank's personnel costs and other operating expenses increased by 23% year-on-year. TSKB's cost-to-income ratio declined to 10.8% as of the end of 2018 owing to the lift in operating income (2017: 12.5%).

The Bank's donations and charity during the year amounted to TL 160,000 in total. The total expenses incurred for the social responsibility projects stood at TL 489,247.

TSKB posted TL 1.3 billion in profit before provisions and tax with an annual surge of 50% and a net income of TL 660.9 million which grew by 11%. In 2018, the Bank's return on equity and return on assets stood at 16% and 2% respectively.

The Bank's return on equity rises to 17.8% when the late increase in the market values of its publicly-listed affiliates included within equity is excluded (2017: 18.8%).

## 2018 FINANCIAL PERFORMANCE AND 2019 EXPECTATIONS

### FINANCIAL TARGETS

TSKB targets an FX-adjusted loan growth of 5% for 2019. In line with the present development finance loan agreements, the Bank plans to support renewable energy, women's employment, environment, occupational health and safety, energy and resource efficiency, and R&D investments as well as investments by firms delivering production for export purposes in a way to decrease the current account deficit and investments in priority development regions receiving an influx of refugees in 2019. As a result of such efforts, TSKB aims to keep its NPL ratio below 4% and expects to deliver a return on equity of about 14-15% and a net interest margin in the range of 3.5-3.8% in 2019. Furthermore, the Bank plans to complete 2019 with a capital adequacy ratio above 15%.

TSKB targets an FX-adjusted loan growth of 5% for 2019.

The Bank plans to complete 2019 with a capital adequacy ratio above 15%.

Financial Expectations (Solo) (%)	2018 Expectations	2018 Performance	
FX-Adjusted Loan Growth	~2	-3*	■
Loans/Assets Ratio	~77	74	■
Net Interest Income Growth	~40	56	■
Fees & Commissions Growth	~25	32	■
OPEX Growth	~25	23	■
Net Interest Margin (adj.)**	4.1	4.9	■
Return On Equity	~17	16	■
Return On Assets	~2.0	2.0	■
Cost-to-Income Ratio	11-12	10.8	■
Capital Adequacy Ratio	~16	16.2	■
NPL Ratio	<2.5	2.1	■
Leverage Ratio (x)	~11.0x	8.1x	■

\*In parallel with the development in the sector

\*\*Adjusted for SWAP costs

In line ■ Below ■ Above ■

Financial Expectations (Solo) (%)	2019 Expectations
FX-Adjusted Loan Growth	~5
Loans/Assets Ratio	~75
Loans/Long Term Funds Ratio*	~115
Loans/Long Term Funds	>35
OPEX Growth	<25
Net Interest Margin (adj.)**	3.5-3.8
Return On Equity	14-15
Return On Assets	1.5-1.7
Cost-to-Income Ratio	13-14
Capital Adequacy Ratio	>15
NPL Ratio	<4
Cost of Risk	~100 bps

\* Long-term funds do not include issued securities (Eurobond).

\*\* Adjusted for SWAP costs

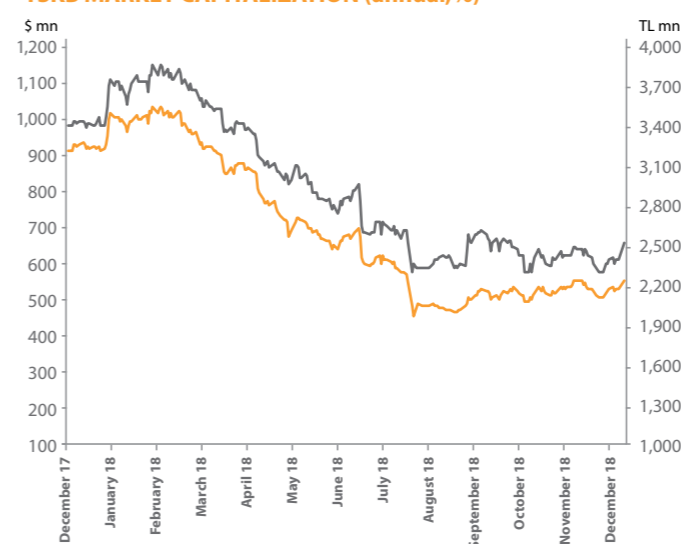
Bank's total market capitalization was TL 2.3 billion (USD 431 million), with a foreign ownership ratio of 52.8% in its free float.

### TSKB SHARE 2018 PERFORMANCE AND INVESTOR RELATIONS ACTIVITIES

Making a key contribution to the formation of capital markets in Turkey, TSKB shares were offered to public in 1986. TSKB shares are listed on BIST Stars under the ticker "TSKB". Furthermore, TSKB retains its position on BIST Corporate Governance Index, BIST Sustainability Index and FTSE4Good Emerging Markets Index. The free float ratio of TSKB is 38.6%.

Although the Borsa Istanbul stock market started the year with appreciation, because of the deteriorating global liquidity due to tightening steps of Federal Reserve (Fed) of the United States and slowing portfolio flows to emerging markets, it could not maintain this outlook. In addition to these developments, in the domestic markets elevated volatility in the exchange rates and the economic re-balancing becoming evident especially in the second half of the year had adverse impact on the stock market. In 2018, BIST-100 index declined 21% down to 91,270, while banking index ended the year with 31% decline at 117,737. Starting the year at TL 1.20 TSKB share price fell down 33% closing the year at TL 0.81 in line with the drops in BIST-100 and banking index.

### TSKB MARKET CAPITALIZATION (annual,%)



TSKB Market Value (left axis) ■ TSKB Market Value (right axis) ■

Average trading volume of TSKB shares was 26 million lots. Bank's total market capitalization was TL 2.3 billion (USD 431 million), with a foreign ownership ratio of 52.8% in its free float. As of year-end, its Price-to-Book Ratio was recorded at 0.58 and Price-to-Earnings ratio stood at 3.6.

At 2018 year-end, the number of brokerage houses covering and writing reports about the Bank was 16. In 2018, 64 investor relations meetings 18 of which was abroad were held. More than 25% of the investors contacted during the year were new. In 2018, in accordance with the market conditions, increasing the number of investor meetings is the targeted.

During the year, the established practice of holding teleconferences for analysts and investors every quarter following the announcement of financial results continued and their questions were replied in detail. The relevant records are available on the Bank's web site.

In 2019, the Bank will concentrate on the Investor Relations activities to expand the Bank's investor base in order to increase TSKB's market recognition and visibility.

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

Source: Finnet

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

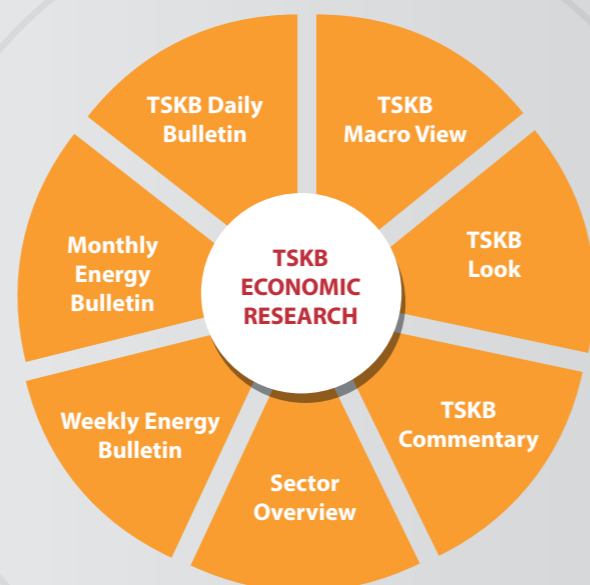
\*\* Year-to-date change

## DELIVERING EXPERTISE AND EXPERIENCE

### A TSKB CLASSIC: ECONOMIC RESEARCH

The experienced and specialized Economic Research team at TSKB showcases its expertise in industry, the economy and capital markets in the reports it publishes well as presentations for internal and external needs.

TSKB Economic Research means umbrella brand in the Bank's main working fields.



TSKB Economic Research Publications in 2018	Number of Issues
<b>TSKB Daily Bulletin</b> Daily brief analysis on political/economic developments in the agenda and sector newsflow	250
<b>Macro View</b> Research on macro economic data and economic calendar	102
<b>Sector Overview</b> Studies on the outlook of main sectors	14
<b>Weekly Energy Bulletin</b> Weekly developments in the energy sector	18
<b>Monthly Energy Bulletin</b> Monthly developments in the energy sector (Turkish and English)	7
<b>Initial public offering valuation reports review</b> Initial public offering reports review	5
<b>TSKB Look</b> Analysis focused on macro, industry and development Theme Look (Turkish and English)	2 4
<b>TSKB Commentary</b> Brief analysis on a wide range of topics from financial markets to development economics on a technical basis	2
<b>Month Ahead</b> Leading data on the economic calendar of the new month, analysis on the heading economic events in Turkey and in the World, studies on development economics	12
<b>Total</b>	<b>416</b>

TSKB Economic Research is like an umbrella brand incorporating Bank's main working fields.

TSKB Economic Research publications, in addition to supporting the Bank's resource, loan, consultancy, treasury, marketing and promotion activities, play a role as a precious tool on a knowledge sharing platform with sector and company representatives.

**TSKB Economic Research issued over 420 reports in 2018.** TSKB Gündem including daily brief analysis on political/economic developments in the agenda and sector newsflow, Macro View including research on macro economic data and economic calendar, New Month 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.

Weekly and monthly Energy Bulletin shares analysis and developments in the energy sector. Monthly Energy Bulletin is published in both Turkish and English. Economic Research also publishes TSKB Look including analysis focused on macro, 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 Reading including a brief analysis on a wide range of topics from financial markets to development economics on a technical basis.

### TSKB Economic Research 2018 Themes

- Participation of Women in Labor Force
- Supply Chain in Agricultural Goods and Food
- Participation of the Youth in Labor Force
- Employment Prioritized Regions
- Renewable Energy
- Energy Efficiency
- Recycling
- Sustainable Tourism
- Water Safety



## DELIVERING EXPERTISE AND EXPERIENCE

The sectoral overview publications prepared by TSKB Economic Research as well as Financial Analysis and Assessment departments contain evaluations shedding light on a rich array of sectors.

### TSKB Economic Research Sectoral View Series

- Automotive Industry and Sub-Industry
- White Goods Industry
- Textile and Clothing
- Construction, Cement and Ceramics
- Iron & Steel
- Machinery
- Freight Shipment and Ports
- Chemistry and Plastics
- Information and Communication Technologies
- Education
- Healthcare Services, Medical Devices and Pharmaceuticals
- Energy
- Tourism
- Agricultural Production and Food&Beverages



TSKB Blog fostered by the Bank's 68-year know-how and experience delivers editorials, articles on economic and sectoral developments.

TSKB Economic Research develops cooperation with universities, think-tanks, foreign missions and policy makers and regularly visits and exchanges opinions with public institutions. To that end, TSKB is involved in the working groups for Specialization Commissions, which are planned to present input into the 11<sup>th</sup> Development Plan in 2018.

### Representation In Special Expertise Commissions

- Prioritizing Public Sector Investments
- Growth Dynamics
- Combat with Inflation
- Logistic Services
- Role of Women in Development
- Energy Supply Safety and Efficiency
- Competitive Production in Agriculture and Food
- Industrial Production Policies
- Automotive Industry

### TSKB BLOG

In 2018, the world of economy and business has met with a new source of information.

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

TSKB Blog offers articles on international trends such as digital transformation, Industry 4.0 and low-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.

TSKB Blog is fostered by TSKB's 68-year know-how and experience. The Blog delivers editorials on economic and sectoral developments and offers new articles and current themes to its followers on a weekly basis. Contents at TSKB Blog are also realized simultaneously on TSKB's social media accounts. Articles on TSKB Blog are written by a team of about 20 specialists from fields such as development, sustainability, engineering, technology, energy and tourism.

In 2018, more than 70 articles on various agenda items are published at TSKB Blog



In order to access TSKB Blog:  
TSKB Blog: [www.tskb.com.tr](http://www.tskb.com.tr)  
TSKB Twitter: [https://twitter.com/tskb\\_turkey](https://twitter.com/tskb_turkey)  
TSKB LinkedIn: <https://tr.linkedin.com/company/tskb>

## EKONOMİ DÜNYASININ YENİ BİLGİ KAYNAĞI #TSKBBLOG



Kalkınma gündemi, sektörlerin dönüşümü, endüstri 4.0, düşük karbonlu ekonomi, sürdürülebilir büyüme, kapsayıcılık, global trendler...

İş dünyasını ve yatırım kararlarını etkileyen gelişmeleri nasıl daha doğru yorumlayabiliriz?

Cevabı TSKB'nin uzman bankacılık perspektifiyle #TSKBBlog'da.

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

Kurumsal Bankacılık | Yatırım Bankacılığı | Danışmanlık



**TSKB**  
Türkiye Sınai Kalkınma Bankası

## DELIVERING EXPERTISE AND EXPERIENCE

### TSKB actively employs sectoral events as a means to reinforce stakeholder communication.

Sectoral events play a key role for TSKB to access a broad stakeholder basis and share its own experience. During such events, TSKB enhances its dialogue with stakeholders and significantly raises the awareness level of participants with respect to sustainability.

In 2018, TSKB was involved in many events either as an attendee or a sponsor besides hosting various events throughout the year. During such events, TSKB officials delivered presentations or speeches on sustainability, R&D and innovation, energy efficiency and women's employment.

TSKB's relevant activities on the matter are not only limited to Turkey. TSKB employees share the Bank's expertise on the international arena as speakers at capacity building trainings and global summits.

### Organizations arranged by TSKB

- "Women Employment and Beyond in Private Sector Conference" with AFD
- Future Outlook with TSKB: R&D and Innovation
- International Development Finance Club (IDFC) Sherpa Meeting
- Mother Child Education Foundation (AÇEV) Awareness Raising Seminars on Gender

### Organizations sponsored by TSKB

- 10<sup>th</sup> Energy Efficiency Forum and Fair
- 5<sup>th</sup> Istanbul Carbon Summit
- 7<sup>th</sup> Istanbul Finance Summit
- Forum İstanbul
- Turkish Capital Markets Summit
- CampusWIN Orientation Weekend
- Istanbul Music Festival "Women Stars of Tomorrow Concert"

### Organizations hosted by TSKB

- Global Compact Turkey Gender Equality Workshop
- ÇEVKO Foundation Workshop
- Corporate Governance Association of Turkey (TKYD) Annual Meeting
- Launch of WBCSD Turkey Circular Economy Working Group "Waste to Wealth" Book

### INTERNATIONAL INITIATIVES

- CDP - Carbon Disclosure Project
- WDP - Water Disclosure Project
- Universal Declaration of Human Rights by the UN
- GRI - Global Reporting Initiative
- UNEP FI - UN Environment Programme Finance Initiative
- UN Global Compact
- ADFIMI - Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank
- IIF - Institute Of International Finance
- ICC - International Chamber Of Commerce
- LTIC - Long-Term Investors Club
- IDFC - International Development Finance Club
- ELTI - European Long-Term Investors Association

### NATIONAL INITIATIVES

- TBB - Banks Association of Turkey
- TKYD - Corporate Governance Association of Turkey
- TSPAKB - Association of Capital Market Intermediary Institutions of Turkey
- DEİK - Foreign Economic Relations Board and Business Association
- GRF - Global Relations Forum
- WBCSD Turkey - Business Council for Sustainable Development
- IKSIV - Istanbul Foundation for Culture and Arts
- Association of Money Managers
- Association of Risk Managers
- ERTA - Integrated Reporting Network Turkey

### LIBRARY

TSKB Library has been serving society since 1971 with an archive of almost 13,000 books and electronic database subscriptions. As a specialty library, it provides its users - specifically university students and academics - with sector-specific reports and research results of the Bank as well as national and international literature.

### MEMBERSHIPS AND WORKING GROUPS

TSKB is a member to national and international associations and initiatives operating in areas relevant to the Bank's strategy, operations and goals. The Bank assumes active roles under such memberships and shares its experience as well as maintaining a close contact and cooperating with many organizations.

### Contribution to Turkey and the TSKB brand

TSKB's involvement in national and international initiatives contributes to not only the Bank's brand value but also to Turkey. Work performed under memberships contributes positively to TSKB's corporate image and promotion and supports the building of internal capacity and raising awareness. Such memberships present the opportunity to establish communication and relations with stakeholders from a diverse range of geographical locations and cultures and contributes to the promotion of Turkey on various platforms when it is the first time such events are attended by a Turkish party, thus raising Turkey's reputation in such fields.

TSKB chairs some working groups or assumes similar key roles in organizations it is a member to. The Bank chaired the following working groups in 2018:

- Gender Equality Working Group of the International Development Finance Club (IDFC) in Istanbul
- Women's Employment and Equal Opportunities Working Group of BCSD Turkey

In addition, the Bank is also a part of NGO working groups to reify its support and contribution. The Bank helps draft reports and declarations and organize events at such working groups and may act as a sponsor in certain projects. During the reporting period, TSKB assumed active roles in the following working groups.

- BCSD Turkey's Working Groups on Sustainable Finance, Energy, Circular Economy
- Training Working Group of the Integrated Reporting Turkey Network (ERTA)
- United Nations Global Impact Working Groups on Sustainable Banking and Finance, Women's Employment and Equal Opportunities

*The motto for the meetings is "A Prospective Glance with TSKB". They serve to identify customer needs at first place and share information on TSKB's new products and services.*

- Turkish Industry and Business Association's (TÜSİAD) working groups on Banking, Economic Analysis, Capital Markets, Tax, Industrial Transformation, Health, Tourism, Environment and Climate Change, Energy, Food, Beverages and Agriculture, Gender Equality, Foreign Trade
- Membership to Energy Business Council of the Foreign Economic Relations Board (DEİK)

### COOPERATION WITH PUBLIC INSTITUTIONS

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

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

### MARKETING COMMUNICATION MEETINGS

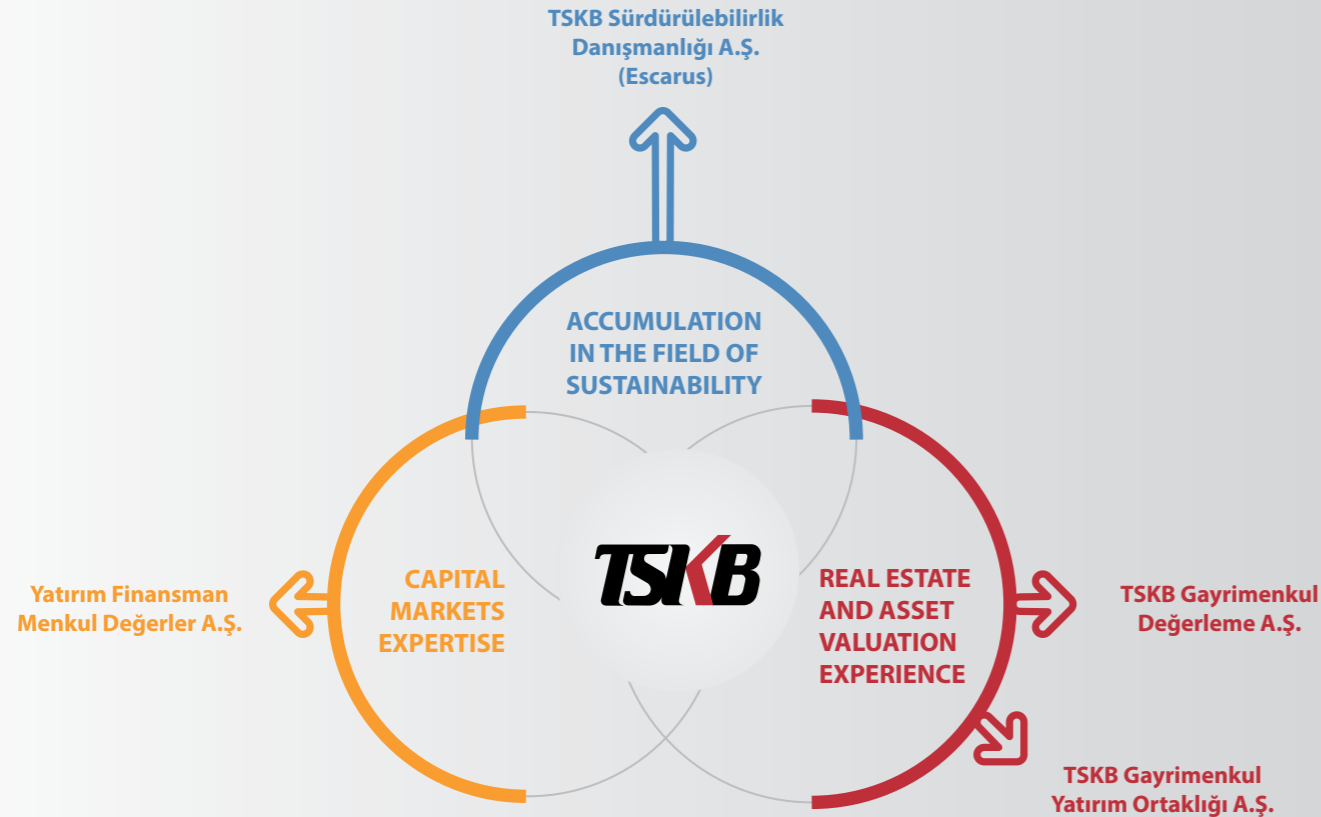
Marketing Communication Meetings have been held since 2017 and add a new dimension and enrich the platforms on which TSKB meets its customers. The motto for the meetings is "A Prospective Glance with TSKB". They serve to identify customer needs at first place and share information on TSKB's new products and services. TSKB's analysis and presentations on various sectors are shared during these meetings. In addition, opinion leaders are invited as guests and get involved in vision and trend talks.

## GROUP COMPANIES

### AFFILIATES ADDING INTEGRITY, SIZE AND DEPTH TO CUSTOMER EXPERIENCE

TSKB has subsidiaries operating in various sectors and it also holds shares in various companies under İşbank Group. Through their actual business volumes, cross-cooperation opportunities and competences, the Bank's subsidiaries make concrete contributions to the process of creating permanent value for TSKB's stakeholders.

TSKB operates within a holistic structure with its subsidiaries that complements and supports its operations. The Bank acts in synergistic cooperation with Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Değerleme A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (Escarus) in terms of creating cross-selling opportunities and delivering successful investment banking and consultancy projects.



TSKB's products and services are a synthesis of its competences and experience, that have been all developed in 68 years in line with its mission.

### YATIRIM FİNANSMAN

#### 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 İşbank and the Industrial Development Bank of Turkey (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 emerges as a symbol of trust.

#### Valuable product range offered with the support of strong and widespread service network

Being one of the essential institutions of Turkey, Yatırım Finansman offers (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. Yatırım Finansman uses its know-how, experience and specialization distilled from its over 42-year history as well as its strong capital structure to create added value for its customers.

Trading safely without brokerage in domestic and/or international markets timeless and locationless via desktops, laptops and smart electronic vehicles, investors add value to their savings with YFTRADE, YFTRADEMOBILE, YFTRADEINT, which were commissioned by Yatırım Finansman.

Yatırım Finansman operates in a strong synergy with group companies mainly with TSKB. Having initiative projects in investment banking, the company continues to provide its customers with the most convenient financial instruments and add value to their investments thanks to its employees who utilize their knowledge, experience and competences to the best of their abilities.

#### Discriminating service provider in the sector

Acting within the framework of the "Responsible Profitability" principle and realizing its goals to provide its investors and stakeholders with a satisfactory return, Yatırım Finansman is a Fully Authorized Brokerage House pursuant to the capital markets law and communiques. The company stands out in the sector through the diverse range of products and services it offers, the investments it makes and the advanced technological infrastructure it has.

TSKB holds 95.8% of the shares in Yatırım Finansman, which has 10 service points in major cities of Turkey. In 2018, Yatırım Finansman has an equity worth TL 100.3 million and total customer assets over TL 3.9 billion, making it a leading investment institution and raising the service bar high above.

#### A goal to earn a place among the top 7 brokerage houses

The main goal for Yatırım Finansman in 2019 is to increase its profitability and market share in the sector through its experience from its long history as well as its advanced technological base and strong team and to earn a place among the top 7 brokerage houses in terms of transaction volume rankings in Equity Market and Derivatives Market.

#### A be to the recognition of the sector in Turkey

Yatırım Finansman, the founder of the sector, organizes activities for university students and meets other students who are interested in the sector in order to contribute to the recognition of capital markets. In the upcoming period, the company will continue to organize these activities and utilize online channels to deliver sector-based technical trainings to contribute to the improvement of the financial literacy among university students.

For 2019, Yatırım Finansman plans to continue holding seminars in various regions of Turkey to contribute to improving the recognition of capital markets and to financial literacy under a mission delegated by the fact that it is the first brokerage house in Turkey.

Leading its sector thanks to its technological infrastructure and innovation in mobile applications, Yatırım Finansman will continue to invest in its technological infrastructure and online platforms to provide the most optimal response to its customers' needs through new products and services in 2019.



## GROUP COMPANIES

### TSKB GAYRİMENKUL DEĞERLEME

#### Targeting to be the leader and reference point in appraisal and consultancy services

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal) was established in 2002 to deliver real estate appraisal services.

TSKB Real Estate Appraisal provides independent and impartial services at international standards on valuation, consultancy, valuation of machinery and equipment, most efficient and best use analysis, feasibility analysis, market research and sectoral 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 observes the principle of confidentiality in its operations.

#### Appraisal and consultancy perfection from end to end

TSKB Real Estate Appraisal represents deep rooted know-how and expertise in the valuation and appraisal industry and offers consultancy services in all phases of projects starting from planning via its appraisal experts in its 8 branches across Turkey.

Chartered appraisal experts, mostly CMB-accredited, working at TSKB Real Estate Appraisal determine the market value of a wide range of property including but not limited to land, business centers, factories, shopping malls, hotels, logistics plants and seaports. As of 2018 year-end, the number of reports issued by the company in the last five years, reached almost 150,000.

#### Rewarded for strong performance

In 2015, TSKB Gayrimenkul Değerleme A.Ş. was given the "Best Real Estate Appraisal Company in Turkey" award under "Consultancy" category by the UK's Euromoney.

The company was further awarded by Euromoney as the "Best Real Estate Consultant in Turkey" and the "Best Real Estate Appraisal Company in Turkey" under the "Real Estate Consultancy" category in 2008 and 2014 while it was awarded as the "Best Real Estate Consultant in Turkey" in 2005.

#### An efficient organizational structure

TSKB Real Estate Appraisal has two main departments for valuation services, namely "Security Valuation" and "Special Projects". Considering the importance of appraising the "accurate value" in real estate-based loan collateralization, Security Valuation Department was established in 2010 and mainly works with the financial institutions. 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 survey, project goodwill, machinery and equipment park valuation, tender consultancy and sectoral research.

The company's international appraisal services are carried out by Special Projects Department. TSKB Real Estate Appraisal realized appraisal studies in 16 different countries.

#### Operates with three different licenses

In addition to CMB and BRSA licenses, the company obtained the RICS license granted by the Royal Institution of Chartered Surveyors offering international service guarantee and emerged as a leading company in Turkey that delivers services with three licenses.

With its staff holding MRICS, Appraisal Institute, LEED Green Associate certificates, TSKB Real Estate Appraisal have the highest number of international licenses in Turkey in relation to appraisal and consultancy services.

TSKB Real Estate Appraisal is the first real estate appraisal company in Turkey to obtain the ISO 9001:2008 Quality Certificate granted by BSI Eurasia Yönetim Sistemleri Belgelendirme Ltd. Şti., a UK certification company. The company completed its transition to ISO 9001:2015 Quality Certificate System.

Through their operations and business volumes, cross-sell opportunities and competences, the Bank's subsidiaries make concrete contributions to the process of creating permanent value for TSKB's stakeholders.

#### Well-established targets within the triangle of past, present and future

TSKB Real Estate Appraisal composes its future strategies and determines actions according to its corporate mission in the framework of its 3-year strategic plan.

In 2018, industrial indicators pointed to limited growth in the construction sector due to a slowdown in mortgaged home sales led by the adverse impact of rising housing loan interest rates. TSKB Real Estate Appraisal diversified its service range to the new services on regulations on the citizenship of the foreigners and construction peace and adopting an active marketing strategy the company maintained the sustainable growth targets of the Special Projects Department and posted 71% growth in the last three years. In addition, all permanent appraisers and representatives serving at the Collateral Valuation Department obtained a CMB license under the BRSA legislation.

In 2019, keeping the corporate image of the brand and strength, TSKB Real Estate Appraisal targets to touch more customers and extend customer base with higher quality and comprehensive reports issuance.



### TSKB GYO

#### A company aiming to create an efficient real estate portfolio

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO, TSKB REIT) is a real estate company that aims to establish and develop an efficient real estate portfolio.

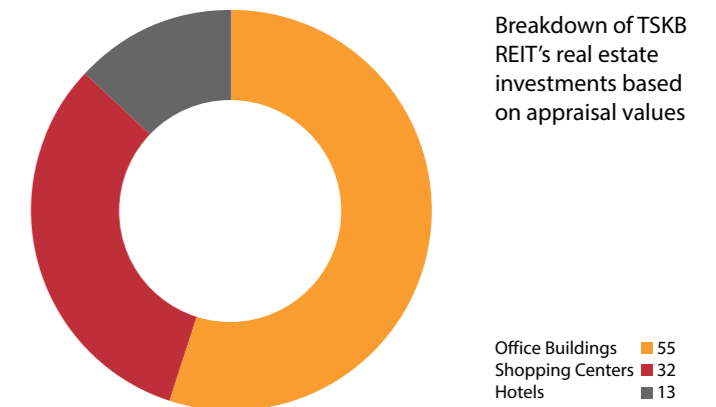
TSKB has a participation share of 85.86% at TSKB REIT, which is powered by the Bank's 68-year corporate know-how and experience. As a capital market institution, TSKB REIT can invest in

- 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, social responsibility, customer orientation and teamwork. Its investment strategy is based on growth through project development, sustainability and risk management. The Company is established with an initial capital of TL 10 million. The capital is increased to TL 300 million after the capital increase in the fourth quarter of 2018. As of 31 December, TSKB REIT's asset size reached TL 509 million and the leasable area it manages stood at 66,000 m<sup>2</sup>.

#### REAL ESTATE INVESTMENTS OF TSKB REIT (%)



## GROUP COMPANIES

At 2018 year-end, TSKB REIT's real estate portfolio included the following:

- Pendorya Shopping Mall, which is located at Pendik, Istanbul on E-5 Road, was inaugurated on December 17, 2009 and has an indoor area and leasable area of 80,648 m<sup>2</sup> and 30,573 m<sup>2</sup> respectively,
- 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 of Divan Adana Hotel, which is located in Adana city center and was commissioned in September 2015, as well as of its independent units.

### TSKB REIT and capital markets

TSKB REIT is subject to the capital market legislation, and its 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 symbol 'TSGYO' since April 2010.

### A goal to improve profitability

In line with its investment strategy to increase current lease revenues and diversify portfolio, TSKB REIT will sustain efforts to increase lease revenues from Pendorya Shopping Mall in 2019. In a similar vein, the Company aims to use its competitive edge in the region where Divan Adana Hotel is located and increase its profitability.



## ESCARUS

### Leading consultancy company in Turkey's sustainable development

As a leading consultancy company in sustainable development, TSKB Sustainability Consultancy – Escarus, which was established in 2011, provides project-oriented consultancy services built on multi-discipline expertise, experience and know-how of TSKB.

Aiming to be the leader and major contributor in Turkey's sustainable development, Escarus carries out its operations under four main lines:

- Operational Sustainability
- Strategic Sustainability
- Sustainable Finance
- Research, Reporting and Education

Accomplishing innovative projects with its expert staff, Escarus designs and realizes value-added consultancy services in the area of energy, operational efficiency, environmental & social evaluation, technical due diligence, management systems, climate change and sustainable finance.

### Escarus' brand value grew stronger in 2018.

Escarus' brand value grew stronger in 2018. Escarus has started 19 new projects in addition to expand the number of operational areas by adding new international markets as well as Turkey. Escarus so far has delivered various projects in Qatar, Senegal and Cameroon, making significant contribution to service export targets of Turkey.

In 2018, Escarus established contact with 27 public agencies, 9 universities, 36 foreign organizations, 9 international organizations, 30 local organizations and institutions as consultant or a solution partner that have risen its inclusiveness, high reputation and brand value in consultancy services.

### One of the few consulting bodies in green SRI Bond/Sukuk framework consultancy

Escarus offered framework consultancy services for green SRI Bond/Sukuk issuance transactions as an 'outstanding consultant'.

As the first member to the International Capital Markets Association (ICMA)-Green Bond Principles (GBP) from Turkey, Escarus is a global consultancy firm offering second party opinion services for green bonds in alignment with the GBP principles.

TSKB operates with a holistic perspective through its subsidiaries which complement and support the Bank's operations.

### Multiple projects from various disciplines

Successfully accomplished many projects in various sectors and disciplines, Escarus has made up a strong consultancy team that has successfully completed many reference projects including feasibility studies & project planning for investment projects, evaluating & monitoring feasibility studies (technical and financial) for export loans and technical due diligence & monitoring studies.

Furthermore, in 2018, the company focused on capacity building work for sustainable agriculture, rural development, migration, SME development, financing climate change & adaptation to climate change, value chain analysis and social impact.

### Collaborative Focus and Approach

In 2018, Escarus was represented in many events either as a speaker or as an organizer, never losing focus on sharing information and thus receiving frequent mentions throughout the year. Escarus managers and specialists attended many events as speakers including part-time lectures at universities and opening a new service area in thematic training for the finance sector.

Sectoral sustainability round-table meetings organized together with Dünya Newspaper continued in 2018. Sustainability Round-table Meetings were held in finance, food & agriculture as well as waste economy themes under senior management attendance. Additionally, Sustainability Workshop which is organized yearly in cooperation with TSKB was held at İTÜ in 2018 and attracted high attendance.

### Sustainable Finance Outlook

In the last quarter of 2018, Escarus shared the first edition of Sustainable Finance Outlook annual report with its stakeholders. The report is available for public access on Escarus web site. The content of the report offers the business world an update and interpretation on both global and national developments in the area of sustainable finance.

### Escarus in 2019

In line with its 2019 goals, Escarus aims to reinforce its position as a consultancy firm with a national and global presence by responding to the needs of public and private sector parties domestically and internationally, sharing technical and financial know-how with organizations which use foreign funds in order for them to get the maximum value and increasing service export of Turkey to nearby geographical regions.

Escarus plans to develop new service models to allow the Turkish business world to be more efficient by having management and technical consultancy services under the theme 'Sustainability Consultancy'. Considering the current conjuncture and projections, it is estimated that Escarus will deliver multiple new projects on strategic issues towards the senior management of organizations and offers consultancy services in technical areas benchmarking, resource efficiency and process improvement.



### TSKB'S SUBSIDIARIES WITHIN İŞBANK GROUP

Company	Sector	Capital (TL million)	TSKB's Share (%)	Web Site
İş Finansal Kiralama A.Ş.	Finance	695.3	29.46	www.isleasing.com
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	74.7	16.67	www.isgirisim.com
İş Faktoring A.Ş.	Finance	63.5	21.75	www.isfactoring.com

# INCLUSIVE AND SUSTAINABLE DEVELOPMENT

## TSKB IS THE LEADER FOR SUSTAINABLE BANKING IN TURKEY.

In early 2000s, the concept of sustainable banking has gained more importance and become an essential agenda item in the finance world. TSKB has a corporate history decorated with firsts and leadership. The Bank has also assumed lead in sustainable banking and focused on banking practices that aim to protect and improve the natural capital.

At 2018 year-end, 73% of TSKB's total loan portfolio is comprised of sustainability loans. Using these loans as leverage, the Bank makes an inclusive and sustainable contribution to development. The weight of TSKB's sustainability funds are mostly comprised of loans exclusively extended for renewable energy, energy and resource efficiency and environment investments.

## TSKB LEADS THE FINANCING OF RENEWABLE ENERGY PROJECTS.

Since mid-2000s, TSKB has been supporting the structuring of Turkish renewable energy sector via the funding and consultancy services it provides.

Since 2002, the Bank has focused on the financing of renewable energy projects. Today, the Bank serves the transition of Turkey from the current fossil fuel-based electricity generation systems to clean and renewable energy resources.

TSKB is among the banks funding the highest number of renewable energy projects in the Turkish banking sector. As of 2018 year end, the Bank has 290 renewable energy projects it funded. TSKB has contributed to the mitigation of Turkey's total annual carbon emissions by about 10 million tons through these projects.

In 2019, clean and renewable energy projects will continue to be on TSKB's agenda. In the upcoming period, the Bank will continue funding renewable energy projects as well as projects to combat climate change and shift to low carbon economy.

## POWER TO CREATE MULTIDIMENSIONAL BENEFITS

Through the energy projects, the Bank contributes to developing energy/resource saving practices, ensuring energy diversity and reducing emissions.

A contribution is made to eliminating the bottleneck in energy, supporting the reduction of current account deficit and ensuring a safe energy supply, all simultaneously. TSKB is a leading bank specialized in energy and resource efficiency, and aims to maintain its role in this field. In addition to renewable energy, energy and resource efficiency funding, TSKB's sustainability funds within its loan portfolio are gradually enhanced in years through funding models for sustainable tourism investments, women's employment and occupational health and safety.

For the sake of the development of Turkish economy, TSKB considers exports a major point that deserves handling under sustainability and thus transfers funds to exporting companies in two distinct channels. The Bank not only provides direct funds to but also supports SMEs and exporting companies via the "APEX" loans, a financing model in which such companies are funded through commercial banks, participation banks, leasing companies and factoring companies.

TSKB gives weight to environment and sustainability themes in funding. In line with its mission to create value for the inclusive and sustainable development of Turkey, the Bank meets medium and long-term funding needs in the projects it finances

- via funds it secures from national, regional and supranational financial institutions and
- debt instruments it issues on international capital markets.

**TSKB's 73% of total loan portfolio is sustainability-themed. With these loans the Bank contributes to inclusive and sustainable development of Turkey.**

## TSKB'S SUSTAINABLE FINANCE THEMES

- Renewable energy
- Energy efficiency
- Resource efficiency
- Environment
- Infrastructure
- Women's employment
- Occupational health and safety
- Supporting priority development regions
- Adaptation to climate change
- SME financing
- Supporting exporter companies
- Green building
- R&D and innovation
- Sustainable tourism
- Health and education

**IN 2018, TSKB SECURED NEW SUSTAINABILITY FUNDS TOTALING USD 600 MILLION FROM DEVELOPMENT FINANCE INSTITUTIONS.**

TSKB has long-term, well-established relations with development finance institutions which are among its international fund providers. To that end, the Bank signed two major loan agreements, one with the World Bank and the other with the Asian Infrastructure Development Bank. Serving to TSKB's priority for inclusive and sustainable development, the two loans are secured under the repayment guarantee by the Turkish Ministry of Treasury and Finance.

## ENVIRONMENTAL BENEFITS FROM LENDING OPERATIONS

For TSKB, the environmental benefits from lending operations are equally as important as the economic benefit obtained. Evaluating the projects it assumes within ERET Environmental and Social Risk Evaluation Tool through an approach based on independent and objective criteria irrespective of the investment amount, TSKB closely monitors and reports the environmental impacts from the financing of projects.

To that end, it requests from the project sponsor in medium and high-risk cases to take measures to eliminate potential negative arising from the investment.

*TSKB closely monitors and reports the environmental impacts from the financing of projects.*

## INCLUSIVE AND SUSTAINABLE DEVELOPMENT

### SUSTAINABLE FINANCE - MAIN INDICATORS

#### TSKB's Renewable Energy Portfolio in Figures

Renewable energy projects (number)	290
Total installed capacity funded (MW)	6,066
Share in Turkey's renewable energy capacity	14%
Financing commitment (USD billion)	4.4
Contribution to CO <sub>2</sub> emission reduction (t CO <sub>2</sub> e/year)	10 million
Share of electricity generation in loan portfolio	34%

#### Renewable Energy Projects Funded in 2018

No. of Projects	66
Installed capacity	408
Electricity generation quantity (MWh/year)	1.1 million
Contribution to CO <sub>2</sub> emission reduction (t CO <sub>2</sub> e/year)	769,000

#### Resource Efficiency Projects

Raw material savings (ton/year)	14.5 million
Water savings (m <sup>3</sup> /year)	1.2 million
Waste savings (ton/year)	15,530.00
Energy savings (kcal/year)	4.7 billion
Contribution to CO <sub>2</sub> emission reduction (t CO <sub>2</sub> e/year)	2.37 million

#### Energy Efficiency Projects

Energy savings (kcal/year)	1.51 billion
Contribution to CO <sub>2</sub> emission reduction (t CO <sub>2</sub> e/year)	842,000
Contribution to CO <sub>2</sub> emission reduction through sustainability investments (t CO <sub>2</sub> e/year)	13 million

### TSKB INFORMS ITS INVESTORS SYSTEMATICALLY THROUGH ALLOCATION AND IMPACT REPORTS.

TSKB employs exclusive financing products for sustainable banking. Two products the Bank uses to that end are the Green/SRI Bond it issued in 2016 and the Subordinated Sustainable Bond it issued in 2017.

Through the two bonds TSKB issued, it aimed to finance investments to mitigate climate change impacts as well as climate change adaptation investments and sustainable infrastructure investments in addition to ensuring social development.

TSKB drafts an independently-audited Allocation and Impact Report for exclusive financing products and annually shares with investors the impacts of the investments funded. TSKB published its first Allocation and Impact Report in 2017. The 2017 Report is the first Allocation and Impact Report published in Turkey.



TSKB closely monitors and reports the environmental impacts from the financing of projects.  
<http://www.tskb.com.tr/en/financial-institutions/publications>

The 2018 Allocation and Impact Report was evaluated by Sustainalytics, an organization evaluating TSKB's sustainability practices and bond structure in bond issuance processes and provides investors with second-party opinions. The report contains their opinions as well. In addition, the 2018 Allocation and Impact Report received a third-party assurance letter from Ernst&Young consultancy firm as a result of due diligence.

### TSKB REVISES THE PROCESS AND METHODOLOGY OF MEASURING THE SOCIAL IMPACTS IT MAKES THROUGH LOANS, CONSIDERING THE EXISTING CONDITIONS

Teams formed at TSKB run the efforts to report the economic and social benefit from sustainable banking loans.

The work phases completed as of 2018 year-end are summarized below.

- Titles and numerical indicators for economic contribution are set.
- Titles and digital indicators for contribution to sustainability and inclusiveness are set.
- In addition to digital indicators, it is decided for contribution to sustainability and inclusiveness that the United Nations (UN) Sustainable Development Goals shall also be used as criteria.
- A list of the UN Sustainable Development Goals on inclusiveness was devised, differentiating the contribution for inclusiveness.

The Bank established a dedicated working group for matching loan themes with the UN Sustainable Development Goals.

TSKB is in the process of integrating into its objectives and strategies the current sustainable development approach in its 2030 perspective, which hit the agenda following the UN Sustainable Development Goals.

### TSKB'S LOAN PORTFOLIO AND ITS RELATIONSHIP WITH SUSTAINABLE DEVELOPMENT GOALS

Since 1950, TSKB has increasingly and clearly contributed to Turkey's development and led environment-related matters starting from 1980s.

TSKB is in the process of integrating its objectives and strategies into the current sustainable development approach in its 2030 perspective, which hit the agenda following the UN Sustainable Development Goals.

### INCLUSIVE GROWTH WILL ADD A NEW MOMENTUM TO TSKB'S SUSTAINABLE FINANCE OPERATIONS.

Actively involved in the environmental dimension of sustainable finance through renewable energy, energy efficiency and resource efficiency projects, TSKB has also focused on inclusive growth via the funds it extended for SMEs, improvement of employment, women's employment and occupational health and safety in this new period.

The Sustainable Development Goals adopt a more comprehensive and holistic approach which covers inclusive development. To this end, international cooperation as well as coordination among the public sector, private sector and non-governmental organizations at national and local level gain significance. Therefore, it is important to document such contribution to goals in line with TSKB's development banking mission.

In 2017, TSKB, in cooperation with its affiliate Escarus, drafted "Baseline Analysis of Turkey against Sustainable Development Goals Project" in line with the efforts run by the Ministry of Development to adapt the Sustainable Development Goals into Turkey. The study on the Economic and Social Benefits of TSKB Loans also makes use of the methods and information included in this report.

The working group comprised of TSKB experts classified TSKB loans and related them to the Sustainable Development Goals, with the results and matches being turned into a report and shared with the Senior Management. It is planned that all lending operations are included in the measurement in terms of the sustainable development goals, and the contribution they make to economic/social development is closely monitored under this effort.



# SUSTAINABILITY MANAGEMENT SYSTEM

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

In line with the global development of the sustainability concept and its perception, TSKB broke a new ground in Turkey and completed an end-to-end internalization of sustainability in every aspect ranging from its mission to business model and processes.

TSKB supports Turkey's sustainable development through its products and services. To that end, TSKB has structured its Sustainability Management System (SYS) in a way to cover all business processes of the Bank so as to mitigate environmental and social impacts from banking operations and support Turkey's transition to a low carbon economy.

### TSKB SYS is managed through the Sustainability Policy.

Immediately after including environment and sustainability on its agenda, TSKB published its Environmental Policy in 2006. In 2012, the Bank revised its Environmental Policy as the Sustainability Policy.

Currently, the SYS is managed under the Sustainability Policy of February 2015.

In addition, the Bank supports the Sustainability Policy through complementary policies. "The List of activities that are not to be financed" is published as an appendix to the TSKB Environmental and Social Impact Policy, a complementary policy, and lists the sectors that are not funded by TSKB for the sake of responsible banking.

In 2016, TSKB published the Climate Change Declaration. The declaration briefly explains how TSKB's main operations are consistently managed through its climate change strategy.

The declaration is available on TSKB's web site.

## 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 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 by Board decisions.

Sustainability Committee was established in 2014. The Committee's mission is the coordination of the works and business plans to be composed in regard to sustainability strategy, vision and targets of TSKB. This Committee convenes every three months with at least 50% participation and at least four times a year.

In 2018, four meetings were organized in total. In these meetings, Sustainability Committee targets were set and realizations were followed throughout the year. The Sustainability Committee is supported by the Sustainability Subcommittee and working groups, of which representatives from various departments are active members.

### Sustainability Subcommittee

The Sustainability Subcommittee was established to spread 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.

Every year, clear and measurable annual goals of the Sustainability Subcommittee are determined and these goals are reflected on the performance assessment of all members. Sustainability Coordination Responsible carries out the inhouse coordination of the sustainability settlement in TSKB.

## Working Groups and Their Responsibilities

At TSKB, sustainability work was conducted by five different working groups affiliated with the Sustainability Subcommittee in 2018.

The responsibility of these working groups covers:

- Maintaining the certifications for ISO 14001 Environmental Management System Standard and ISO 14064, which is the international calculation and verification standard to restrict direct greenhouse gas emissions from banking operations
- Managing relations with sustainability indices which the Bank is a part of
- Considering the expectations of internal and external stakeholders and engaging in communication management
- Delivering sustainability reports by and
- Coordination of projects and studies directed to gender equality

Gender Equality Working Group was established in 2018, and assigned to coordinate the works in this field. The Group realized a variety of projects during the year and produced concrete examples about TSKB's approach to gender equality.

Members of the working groups are appointed by the Executive Committee of the Bank. As of 2018-end, 10% of TSKB employees take part in sustainability working groups. The Sustainability Committee's goals are disseminated to every employee in this structure and taken into consideration within the employee performance appraisal. One of the common goals of the working groups is to organize internal training events/informative meetings in order to ensure capacity development for all employees of the Bank on sustainability.

## TSKB AS A SIGNATORY IN THE FIELD OF SUSTAINABILITY

TSKB is a signatory to various declarations and principles particularly under the commitments related to sustainability.

- Climate Action in financial institutions as prepared by IDFC
- Declaration on Transition to a Lowcarbon Economy issued by ELTI members under COP21
- Women's Empowerment Principles (WEPS)
- Joint Statement on Energy Efficiency issued by the EBRD and UNEP FI
- Global Compact Turkey - Declaration of Sustainable Finance



# SUSTAINABILITY MANAGEMENT SYSTEM

## ERET MODEL

### Management of the environmental and social impact of disbursements

Within the principle of responsible banking, TSKB gives special importance to objective determination of the potential environmental and social risks and impacts that could arise in the implementation of projects. This process requires an extensive evaluation and the dimensions of the environmental and social impact revealed is handled with investor before placements. According to the result, matters to be managed and actions to be taken are share with the investors. And the loan facility is activated after all of these processes and project risk management plan are completed. TSKB, which enjoys a specialized banking culture business model, has undertaken another leading practice on measuring environmental and social risk.

### ERET Environmental Risk Evaluation Tool was first designed in 2005 and starting from 2007, the Model has been applied to all investment projects

Developed to neutralize the difference in competence and experience among experts in the environmental and social risk appraisal of a project, ensure the implementation of a consistent and standardized methodology, and conduct performance assessment through cause and effect relations, the ERET Environmental Risk Evaluation Tool was first designed in 2005 and the model has been applied to all investment projects to be potentially funded by TSKB irrespective of the investment amount and/ or credit limit.

TSKB adopts it as a principle to observe sustainability practices and principles which meet the environmental, social and occupational health and safety standards of the development finance institutions in all investment projects it finances.

Furthermore, it seamlessly overlaps with the criteria in Equator Principles, which have been drafted by the IFC and widely adopted by banks currently operating in developed economies.

### ERET conducts a multi-dimensional assessment.

The model conducts an assessment composed of 45 questions under 5 headlines and is based on the analysis, within a current and future perspective, of environmental and social impacts as well as possible legal and financial liabilities arising from the investment project evaluated by TSKB for lending and from the other operations of the project owner. In line with the scores for environmental and social risk, how the environmental and

social impacts will be mitigated and monitored is structured within the framework of a plan drafted in cooperation with the customer. The environmental rating methodology for ERET Model is continuously reviewed by TSKB teams, and the weights of high risk issues in the calculation process are increased in line with changing conditions, thus highlighting the risky issues. Annual evaluation results are publicly reported on the Bank's website.

This model has been a very strong tool that TSKB has used for the effective management of environmental and social risks. Employed since 2007 and updated in regards to needs, it contributes project assessment processes and enables TSKB to establish deep intellectual capital and know-how on the matter. Environmental and social risk evaluation also helps raise awareness of the funded companies, enabling TSKB to create value for itself and its stakeholders in line with the principle of creating responsible income.

## 2018 ERET RESULTS

	Firm	Project
High risk <b>A</b>	5	3
Medium-sensitive risk <b>B+</b>	16	18
Medium risk <b>B-</b>	22	25
Low risk <b>C</b>	17	14

### TSKB also handles under SYS the impacts arising from its operations.

TSKB also meticulously handles under SYS the environmental impacts arising from its operations. SYS efforts periodically follow and monitor resource consumption such as electricity, water and natural gas and the Bank conducts work to reduce such consumption.

In addition, TSKB implements a waste management plan to increase the rate of wastes recovered into the economy after being sent to recovery plants.

The Bank performs all relevant work under ISO 14001 Environmental Management System Standard and holds an ISO 14001 Certificate since 2007. It is among TSKB's sustainability goals to ensure continuity of the ISO 14001 certificate.

## TSKB executes its sustainability vision and strategy within an accurately-set, efficient sustainability structure.

### In 2008, TSKB switched to zero carbon banking

The increasing importance of climate change stipulates transition to a low carbon economy in order to ensure a sustainable world. Aware of this, TSKB also closely monitors rising trends on a global basis. It 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. To that end, the Bank has calculated and offset its operational greenhouse gas emissions to launch a carbon neutral-zero carbon banking practice and has been operating in line with the ISO 14064 Greenhouse Gas Accounting and Verification Standard since 2012.

### For TSKB being carbon neutral means

- Measuring carbon emissions and getting the measurements audited,
- Designing strategies and projects to mitigate carbon emissions,
- Offsetting emissions, and
- Contributing to capacity development on the matter within and outside the organization.

Strategic mitigation goals covering 2009-2010 are established in order to reduce consumptions in terms of lighting, energy and business trips, which are all sources of emission. As of 2009, the Bank has started to use electric power from renewable energy resources. This project was launched at a time when the limit for being a free consumer was similar to the level of consumption by producers in the industry and emphasized the vision and priorities of TSKB.

### Carbon neutral approach carried over to social projects

TSKB not only applies the carbon neutral approach internally but also transposes it to the social projects it runs. The Bank aims to raise a common awareness on climate change and the mitigation of carbon footprint as well as improving the recognition and awareness on the matter.

- TSKB purchased Gold Standard Carbon Certificates for more than 4,000 tons of carbon in the last 5 years in an effort to offset emissions from banking operations. Such efforts mitigate the carbon emissions of the Bank and support the combat against climate change. Resources such as wind power and landfill gas are used in offsetting carbon footprint.

- In 2018, the carbon footprints of TSKB Career Workshop, TSKB's management trainee recruitment program, as well as the Sustainability Workshop, which aims to raise sustainability awareness in university students, were offset. All carbon emissions from transportation, accommodation and organization for these events - about 18 tons - were offset.
- 4 tons of carbon footprint from the "Conference on Women's Employment and Beyond in the Private Sector", which was organized at the French Palace in cooperation with the AFD to mark March 8 - International Women's Day, was also offset.

### TSKB AND CLIMATE CHANGE - RISKS, OPPORTUNITIES AND MANAGEMENT APPROACH

The negative impacts of climate change become more evident each day. Such negative impacts manifest themselves domestically and globally in the depletion of water resources, increase in floods, forest fires, drought and desertification, access to food and the deterioration in related ecological and social structures. These pose a serious threat in the short, medium and long run but are capable of bringing along some valuable opportunities if they are planned well.

### Climate change and TSKB Sustainable Banking Strategy

TSKB handles its anti-climate change action under the sustainability strategy. The Bank believes a high quality development is directly associated with sustainable banking and thus bases its sustainable banking strategy on three main foundations.

To support Turkey's sustainable development model To assume a role in combating climate change To contribute to Turkey's transition to an industrial structure that is based on a low carbon economy.

This strategy by TSKB 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.

# SUSTAINABILITY MANAGEMENT SYSTEM

## INTERNAL IMPACTS-MAIN 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 measures for reducing consumption are taken.

### ELECTRICITY CONSUMPTION (kWh/m<sup>2</sup>)

2018  
**68**  
2017  
**65**  
2016  
**54**

### ASSET SIZE (billion TL)

2018  
**38.3**  
2017  
**28.9**  
2016  
**24.0**

### NUMBER OF EMPLOYEES \*

2018  
**367**  
2017  
**375**  
2016  
**357**

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

2018  
**17.6**  
2017  
**18.0**  
2016  
**18.9**

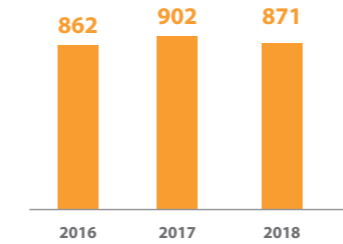
### RECYCLED WASTE (kg)

2018  
**12,703**  
2017  
**10,530**  
2016  
**12,950**

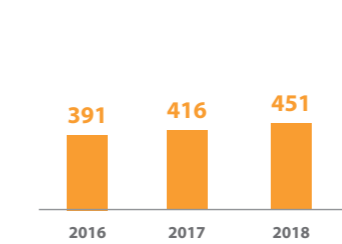
TSKB targets to increase the amount of waste recycled every year in an effort to raise the contribution to the economy pursuant to its waste management plan.

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

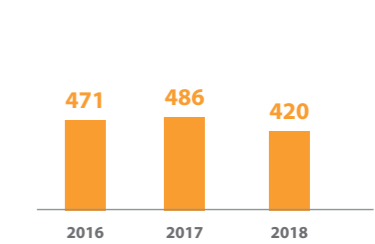
### tCO<sub>2</sub>e EMISSIONS



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



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



### tCO<sub>2</sub>e EMISSIONS (Scope 2) \*\* 2016, 2017, 2018 = 0

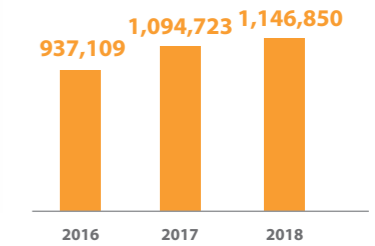
\* **Scope-1** Direct Emissions: Emissions from greenhouse gas emitting sources owned and directly controlled by an institution. Greenhouse gas emissions from natural gas consumption, company vehicles, power generators, cooling groups, ventilation and firefighting systems constitute examples for Scope-1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

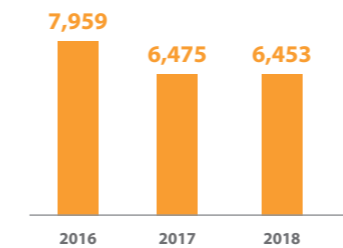
Since TSKB uses renewable energy in all of its service buildings, its carbon emission is zero.

\*\*\* **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.

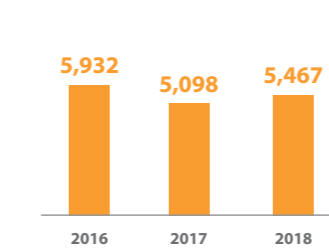
### ELECTRICITY CONSUMPTION (kWh)



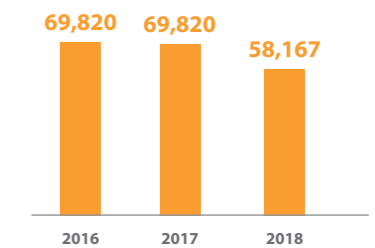
### WATER CONSUMPTION (m<sup>3</sup>)



### PAPER CONSUMPTION (kg)



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



GRI 302-1, 302-2, 302-3, 302-4, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2

# SUSTAINABILITY MANAGEMENT SYSTEM

TSKB works hard on medium and long-term scenarios using the TCFD Model to address the future risks and opportunities regarding climate change.

## CLIMATE CHANGE-RELATED RISKS DEFINED BY TSKB



## Medium- and Long-Term Climate Change Risks and Opportunities

### Incentive mechanism in Turkey for renewable energy investments

#### Risk management and actions taken

Efforts focus on the assumption that renewable energy investment incentives will be terminated in 2020 as well as the action electricity generation companies will be taking.

TSKB reviews the projections for the firms in its loan portfolio in accordance with the scenario that the incentives mechanism will be terminated.

### Negative impact on investments in the portfolio due to extreme weather events and changes

#### Risk management and actions taken

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

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

TSKB focuses 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 on hydropower plants. TSKB monitors not only the financial risk of its energy portfolio but also the climate risks encompassing drought and basin management.

## CLIMATE CHANGE POLICIES TURKEY PURSUES

Before the COP21, Turkey shared its Intended Nationally Determined Contribution (INDC) on September 30, 2015 under its emission mitigation strategy. Accordingly, it is committed that Turkey's greenhouse gas emissions of 440 million tons as of 2012 will rise to 1,175 million tons by 2030 under the current conditions but will be reduced to 929 million tons of greenhouse gas with a decrease of 21% if systematic measures are taken.

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

## TSKB'S PROJECTION

Climate change investments in Turkey will increase in the upcoming period, giving way to new working field opportunities (carbon trading and climate finance).

## SUSTAINABILITY MANAGEMENT SYSTEM

### WHAT IS THE TCFD MODEL?

Task Force on Climate-Related Financial Disclosures (TCFD) recommends companies to test, under various climate scenarios, their resilience and recovery capacities against the potential short-term and long-term shocks - brought along by climate-related risks and the transition to a low carbon economy - on their corporate strategies, business processes, future plans and financial standings, and to publicly disclose the results of such tests. This effort provides the recipe on how adaptation to the Paris Agreement could be possible, specifically for the finance world. It is recommended that public disclosures are initially made on the basis of the existing reporting processes (CDP, GRI, sustainability and integrated reporting). The ultimate aim is to fully integrate these disclosures with financial reporting processes. On that note, TSKB has been publishing sustainability reports since 2009, CDP reports since 2013 and integrated reports since 2017.

### Turkey's position on global anti-climate change platforms 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 GNAT. 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 complete. This sets an opportunity for Turkey to find international anti-climate funds and is thus meticulously monitored.

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

### Climate action is an important item on the agenda of TSKB Sustainability Committee. The Bank closely monitors Conference of the Parties (COP)

In 2015, TSKB actively attended the COP21, where the Paris Agreement was established, thus witnessing the contribution 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 enjoys the opportunity to update its operations by following up on different interpretations and approaches.

### TSKB is an active participant in the Talanoa Dialogue.

An important formation from the COP23 in 2017 was the Talanoa Dialogue. In Pacific languages, Talanoa means a transparent dialogue. Countries, private sector organizations, NGOs and other organizations submit to the database for the Talanoa Dialogue (<https://talanoadialogue.com>) their contribution documents 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.

In 2018, TSKB contributed to the Talanoa Dialogue by submitting through TUSIAD its best practices and activities on Climate Change Prevention/Adaptation. This contribution document included the emission reduction quantities supported through 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) web site on November 6, 2018.



The communication of (<https://unfccc.int/documents/183837>) was made at the COP24 held in Katowice Poland.



### SUSTAINABILITY INDICES AND TSKB

#### Borsa Istanbul Sustainability Index

TSKB is a constituent of the BIST Sustainability Index of Borsa Istanbul, an index of company shares that are publicly traded and which have superior corporate sustainability performances.

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 the companies from BIST-30 index. In the following year, the universe of constituents were enlarged to cover BIST-50 companies. In 2015, TSKB also went through the assessment process and was consequently granted a place in the index following this evaluation.

The Bank's stock has been a constituent of this index since November 2015. TSKB continuously spend effort on improving its practices taking index methodology, international regulations and best practices into account.

#### FTSE4Good Emerging Markets Index

Furthermore, in 2016, TSKB attained yet another sustainability landmark and was included in the FTSE4Good Emerging Markets Index established by FTSE, an independent organization created under joint ownership by the London Stock Exchange and the Financial Times, in December 2016. Aiming to facilitate investments in companies that meet environmental, social and corporate governance criteria by measuring their performance, FTSE4Good Emerging Markets Index is deemed as a key global index.

TSKB will be one of the constituents in the index in 2019.

#### Sustainability Indices are indicative tools for investors that seek 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 means the Bank's decisions and operations on sustainability are acknowledged.



# INVESTMENT IN HUMAN CAPITAL

## THE BUILDING BLOCK FOR A SUCCESSFUL AND SUSTAINABLE PERFORMANCE

TSKB considers its highly qualified and competent workforce to be a critically important factor that renders its strong performance sustainable. The Bank carries out regular activities in a myriad of human resources fields ranging from recruitment to professional and management training programs in order to make business processes more effective. In 2018, recruitment operations secured 31 new employees for the TSKB family comprised of:

- 14 Management Trainees (MTs) from the 9<sup>th</sup> Career Workshop by TSKB, and
- 17 experienced recruits to meet the needs at various departments.

### In 2018, TSKB launched many human resources projects.

In 2018, TSKB received human resources consultancy services from an international company to set up strategy and organization, performance management system, business analyses and career maps as well as a career development model and qualifications model. To that end, it is planned to review the Performance Management System, Potential Measurement, Qualification Measurement and Technical Knowledge sets and implement them through different measurement and evaluation methodologies.

11 employees were presented with the opportunity to change departments under the Internal Transfer Project and 13 employees were given the opportunity to obtain experience of working in various departments to support horizontal career movement in a bid to improve employees' work diversity, technical knowledge, skills and competences. In 2019, 14 MTs will be subject to interdepartmental rotation.

HR Representatives were selected from among volunteers at each department in 2017. 5 distinct meetings were held with these representatives in 2018. The meetings helped submit to the HR Department any opinions and suggestions from departments and transparently share HR practices with the teams.

Team Coaching efforts were delivered to ensure departments worked in better harmony and cooperation to attain high quality business outcomes.

Due work on the Flexible Working Model was expended to serve the goal of more productive work by TSKB employees and a pilot practice was launched. The Flexible Working Model was put into effect throughout the Bank as of January 2019.

Aiming to keep pace with the precipitous global changes and elaborate new business processes, TSKB Technology and Entrepreneurship Platform was established. To that end, TSKB established diverse project groups with the Turkish Entrepreneurship Foundation as a project partner. Project groups are expected to complete their work in 2019.

In 2018, first Career Workshop Alumni meeting was organized gathering the participants of the Management Trainee Program since 2005, with the purpose of sharing ideas, create business opportunities and enrich themselves with collective wisdom. In 2019, the activity is planned to be continued with a second meeting.

Reverse Mentoring and Young Consultants to the CEO projects were launched in 2018 to render mutual learning continuous and enhance intergenerational communication. Main topics covered included Fintech, Digitization, New Business Life and Generations, New Technologies and Startups.

Technical and managerial development trainings for TSKB employees are diversified and continue on various platforms. In 2018, trend topics such as Emotional Quotient, Storytelling and Design Thinking are added to the training catalogue.

A bonus payment is made once a year on the condition that ethical values and internal balances are observed, 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 10,524,652 was paid to 228 employees in 2018 for their 2017 performance.

### Highlights from human capital goals for 2019

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.

In 2019, the Bank plans outdoor events to reinforce teamwork among employees, technical trainings abroad for the expert employees and e-learning programs for all employees. Under Individual Development Plans to be drafted for employees, training programs for employees at different levels are designed to ensure their technical and professional development as well as competency development.

In the coming periods, TSKB, will continue to invest in human resource and their multi-dimensional development decisively and with an approach taking into account the necessities of its corporate strategy.

### An approach that contributes to motivation

TSKB extends multidimensional support to the intellectual development of its employees. TSKB actively supports various clubs to contribute to employees' social life, increase motivation in the working environment and reinforce the synergy within the organization.

Furthermore, the Bank provides opportunities to its employees in order for them to meet at various platforms such as Future Outlook meetings, foundation cocktail, new year's dinner, and IKSVM Music Festival concert which the Bank sponsors every year.

### EMPLOYEE CLUBS

#### Photography Workshop

The 9-month program, open to TSKB and group company employees, consists of technical courses, photography excursions, assessment meetings and seminars. Since 2016, the Workshop had its first graduates, the works of participants were displayed

at TSKB Art Corridor. Moreover, TSKB's calendars bear photos taken by workshop participants. In the scope of the Photography Workshop, monthly Film Analysis seminars also are arranged. In these seminars participants analyze a film.

### Steps to Charity with FIT-TSKB

In 2017, TSKB initiated its FIT-TSKB project in order for its employees to adopt a healthier lifestyle and spend quality time with each other. Starting with body measurements, FIT-TSKB continued with healthy life seminars and group runs with trainers.

FIT-TSKB participants race in Istanbul Marathon. In 2018, FIT-TSKB runners in Marathon supported Turkish Foundation for Children in Need of Protection (Koruncuk).



## INVESTMENT IN HUMAN CAPITAL

### TRAINING PROGRAMS

TSKB aims to develop human capital through tailored training programs required for specialized banking. To this end, various training and development activities are carried out to improve both technical and professional knowledge as well as personal skills of employees.

Except legally compulsory technical and professional education, TSKB offers its employees training programs on the subjects listed below:

- Orientation and coaching courses are applied to ensure a rapid adaptation of TSKB's new employees to the Bank.
- Management trainee (MT) programs composed of essential professional skills are run for recent graduates who join the Bank.
- During the 2-year Development Workshop program, managers are offered training programs in relation to both personal development and management skills as well as competences.
- Managerial skills of the senior managers are reinforced with Leaders as Coaches.
- One-on-one coaching as well as a training program abroad are provided to Department Heads under the Management Development Program.
- Personal education programs are listed in the Training Program Catalogue open to all of the employees.
- Multi-dimensional career improvement of the employees are reinforced through inhouse rotation programs.



### CAREER WORKSHOP AND MT PROGRAM

TSKB employs MTs through TSKB Career Workshop.

Since 2010, 118 MTs started working in the Banks through 9 Career Workshops carried out annually with the participation of 349 students.

TSKB runs meticulous work under its goal to "train its own managers" and holds a MT Program each summer to train future experts and managers. The Bank runs tailored training programs to prepare them for the positions they will assume at TSKB.

**Development Workshop is a program that aims to prepare TSKB employees for the next stage in their careers.**



### DEVELOPMENT WORKSHOP

This is a program that aims to prepare TSKB employees for the next stage in their careers. The Development Workshop runs over 2 years and identifies the developmental areas of each participant. From this point on, a training program is designed based on TSKB competences. The program is made up of five main modules, and focuses on the development of various competences in each module. The second phase of the program started in May 2016 and was completed in May 2018. Some 45 participants in total, comprising 27 women and 18 men, attended the program. 75 hours of training was planned for each participant. Department Heads attended the program to learn with which information the employees are equipped and to speak the same language with them.

### Employee Satisfaction and Loyalty is the Priority

TSKB believes the best business development is possible through the observations and related findings of the people within an organization. To this end, employee satisfaction surveys are conducted periodically. Through such surveys, TSKB regularly measures the satisfaction and engagement levels of its employees, creates a routine platform where they can submit their ideas and suggestions, and takes action in line with improvement goals.

Some 329 employees responded to the 2018 employee satisfaction survey for all TSKB employees. The participation rate was 85%. In 2017, 304 employees responded to the employee satisfaction survey. The participation rate was 78%.

TSKB's efforts to improve employee engagement was reflected in the survey results. A comparison of 2017 and 2018 surveys indicates the following points:

- Employee engagement improved by 1.3% during last year.
- Job satisfaction aspect received the highest fulfillment rating in both years.
- Previously delivering rather poorly among findings, performance management appeared to be on the rise. At the same time, performance management was the fastest improving aspect.
- Second fastest improving subject was education and personal development compared to the previous survey.
- Underlying improvement areas including career planning, cooperation and teamwork, interdepartmental communication, and performance management have been on the rise.

In 2017, TSKB started to get HR consultancy services which supported simpler and more transparent results and momentum in relevant fields. Competencies were entirely rewritten after workshops and separated from the performance system, making them an item of development per se. Therefore, TSKB Performance System was carved into a structure made up of more measurable goals.

Consultancy work and the road maps to be followed from now on were shared with all TSKB employees. Preparations for the career development plans of employees started, pending for the design of a structure which closely monitors development. Furthermore, interdepartmental field work and team coaching efforts were also delivered in 2018.

## INVESTMENT IN HUMAN CAPITAL

WOMEN



Number of Employees					
TSKB	TSKB Real Estate Appraisal	TSKB Real Estate Investment Trust	Escarus	Yatırım Finansman Securities	Grand TSKB Family
179	57	8	6	53	<b>303</b>

Number of Employees					
TSKB	TSKB Real Estate Appraisal	TSKB Real Estate Investment Trust	Escarus	Yatırım Finansman Securities	Grand TSKB Family
150	48	4	4	69	<b>275</b>

TOTAL					
TSKB	TSKB Real Estate Appraisal	TSKB Real Estate Investment Trust	Escarus	Yatırım Finansman Securities	Grand TSKB Family
<b>329</b>	<b>105</b>	<b>12</b>	<b>10</b>	<b>122</b>	<b>578</b>

MEN



TOTAL

BREAKDOWN BY GENDER

**52%**  
Share of Women in  
Managerial Staff

**54%**  
Share of Women in  
Total Staff

- ➔ Board of Directors: 2 Women, 9 Men
- ➔ Committees Established by the Board of Directors: 4 Women, 5 Men
- ➔ Senior Management: 3 Women, 5 Men

In 2018, TSKB achieved Equal Opportunities Model (FEM) Certificate submitted by KAGIDER to the corporates embracing gender equality.

Number of Employees As of December 31, 2018	TSKB	TSKB Real Estate Appraisal	TSKB Real Estate Investment Trust	Escarus	Yatırım Finansman Securities
Female	179	57	8	6	53
Male	150	48	4	4	69
21-30 (age)	96	57	4	-	27
31-40	159	45	6	6	38
41-50	61	3	1	3	52
51+	13	-	1	1	5
Head Office	322	57	12	10	76
Branch	7	48	-	-	46
Primary School	-	-	-	-	2
High School	1	8	1	-	2
Graduate School	7	8	-	-	3
University	208	83	9	2	91
Master's Degree	111	6	2	7	23
Ph.D. Degree	2	-	-	1	1



# CORPORATE SOCIAL RESPONSIBILITY

TSKB's social responsibility projects concentrate on climate change, transition to a low carbon economy, equal opportunities, social and cultural development.

The Bank engages in comprehensive and long-term collaborative work with the business world, universities and NGOs in order to boost the impact of initiatives targeting increasing social awareness in sustainability social.

## EMPOWER THROUGH EDUCATION

TSKB launched a new corporate social responsibility project in 2017 to focus on the social dimension of sustainable development. In 2017, the Bank launched a new loan theme and started to support investments by firms that offer a women-friendly working environment. TSKB transposed this new focus into corporate social responsibility and introduced the scholarship fund called "Empower Through Education."

The initiative was in cooperation with the Turkish Education Foundation (TEV) and supports female university students. This project is beyond a traditional scholarship fund and involves steps such as mentoring, training and internship in order to ensure that more women join the workforce each day. In 2018, "Empower Through Education" project continued successfully.

## WOMEN STARS OF TOMORROW

Women Stars of Tomorrow: Young Women Musicians Support Fund was launched in 2018 under Istanbul Music Festival as a cooperation effort by TSKB and IKS. The project accepted applications by young female musicians who would like to set sail to new horizons on the international arena and successfully completed its first year.

TSKB has always supported Istanbul Music Festival since 1990 and delivered a new project on the 46<sup>th</sup> year of the Festival to support the female musicians of the future. TSKB acted as the education support sponsor in the Women Stars of Tomorrow project within the scope of its social responsibility focus on women's empowerment.

Women Stars of Tomorrow: Young Women Musicians Support Fund admitted applications by female musicians who have received acceptance from a music school abroad at undergraduate or graduate level, continue music education abroad or need support for purchasing instruments or attending master classes, music auditions and international contests.

Applications were evaluated by a jury chaired by Yeşim Güler Oymak, Director of Istanbul Music Festival and Deputy General Director at IKS, and composed of Hakan Şensoy, violinist and

TSKB's social responsibility projects come to life in climate change, transition to a low carbon economy, equal opportunities, social and cultural development.

conductor; Muhiddin Dürrüoğlu, pianist; Ayşegül Kirmanoğlu, clarinetist; and Özkan Manav, composer. The total funds were divided among musicians selected by the jury in proportion with the amount of funds they needed.

## İdil Biret was the first guest of honor for the project

Candidates selected by the jury for Women Stars of Tomorrow: Young Women Musicians Support Fund met the audience at Boğaziçi University's Albert Long Hall on the evening of May 28, 2018 during the Women Stars of Tomorrow concert. The opinion leader and guest of honor for 2018 concert was İdil Biret, the first "child prodigy" of Turkey.

During the Pre-Concert Events moderated by author Yekta Kopan, İnci Kadribeğiç, a student at Trakya University Medical School and a stem cell researcher, and Zeynep Karacan, a student at Yale University and an Honorable Mention Award winner at First Step to Nobel Prize in Physics contest, shared their personal success stories.

Young Women Musicians Support Fund has supported 14 young female musicians who want to continue music education abroad or attend master classes, participate in contests or orchestral auditions, or own a fine instrument.

## Musicians selected to be supported by Education Support Fund

- Alara Acar, Harp
- Aslı Su Kurtuluş, Flute
- Deniz Ayşe Birdal, Cello
- Deniz Su Polat, Viola
- Ezgi Göktürk, Piano
- Ezgi Sarıçioğlu, Violin
- Ezgi Su Apaydın, Violin
- Gizem Sözeri, Double bass
- Gülin Ataklı, Obua
- Güneş Hızlılar, Harp
- İdil Yunkuş, Violin
- Ramona Kemmer, Piano
- Sesim Bezdüz, Violin
- Ülker Tümer, Cello



## CORPORATE SOCIAL RESPONSIBILITY

### GİRVAK-TSKB TECHNOLOGY AND ENTREPRENEURSHIP PLATFORM

TSKB established TSKB Technology and Entrepreneurship Platform in cooperation with the Turkish Entrepreneurship Foundation (GİRVAK) to meet entrepreneurs with development-focused business ideas.

TSKB initiated the Future Outlook program in 2016 in order to adapt to the changing world and develop new ways of doing business as well as innovative perspectives and took that initiative one step further with the TSKB Technology and Entrepreneurship Platform in 2018.

Combining the expert banking experience and knowledge of TSKB employees and the enthusiasm and entrepreneurial spirit of GİRVAK fellows, the platform was launched with a publicity meeting held at Kolektif House on November 3.



### TSKB'S DIGITAL PLATFORMS

#### CEVRECIYIZ.COM

Digital platforms play a critical role in TSKB's communication with stakeholders and widening the impact of its corporate social responsibility. The bank focuses on establishing rich internet portals and increasing its substance on social media in order to enhance sustainability awareness.

Cevreciyiz.com is the pioneer among these channels, becoming live in 2007 and having reached 50,000 followers on social media.

The website provides reference for many aspects such as sustainability, energy efficiency, environmental-friendly design, alternative energy sources; and shares innovative news from the world such as eco-friendly production and consumption trends and green architecture. Cevreciyiz.com continues its impact with the target of being a channel that will inspire its followers, for a better future.



Social media accounts for Cevreciyiz.com:  
[www.instagram.com/cevreciyiz/](http://www.instagram.com/cevreciyiz/)  
[twitter.com/cevreciyiz](https://twitter.com/cevreciyiz)  
[www.facebook.com/TSKB.cevreciyiz](https://www.facebook.com/TSKB.cevreciyiz)

#### EŞİT ADIMLAR - EQUAL STEPS

TSKB cares to transpose its experience in digital content production to various themes it focuses on. Equal Opportunities (esitadimlar.com) platform was launched to serve the very same purpose and offers an enriched set of content on equal opportunities.

Equal Steps was launched as a joint action by TSKB and the French Development Agency (AFD) under the umbrella of the WBCSD Turkey Working Group on Women's Employment and Equal Opportunities.

Equal Steps yields the premise that 'equal opportunities are indispensable for economic development' and focuses on sharing contents on the matter which would attract the attention of both women and men. Equal Steps offers a digital library which accommodates recent updates on equal opportunities as well as corporate best practices in addition to reports, legislation and regulations. Equal Steps aims to serve as an extensive reference point for interested individuals and professionals.



Social media accounts for esitadimlar.com:  
[twitter.com/esitadimlar](https://twitter.com/esitadimlar)  
[www.instagram.com/esitadimlar/](https://www.instagram.com/esitadimlar/)  
[www.facebook.com/esitadimlar/](https://www.facebook.com/esitadimlar/)

## TSKB supports culture and art with a sustainable approach.



#### SUPPORTING ISTANBUL MUSIC FESTIVAL FOR 29 YEARS

TSKB has contributed to the development of culture and arts of the country by a way of sponsoring the concerts in the Music Festival organized by Istanbul Foundation for Culture and Arts (IKSV) since 1990.

This deep-rooted cooperation effort by TSKB and IKSV set the foundations of the Women Stars of Tomorrow project launched in 2018.

#### PATARA ANCIENT CITY EXCAVATIONS

Believing in importance of protecting the legacy of the past as much as building a sustainable future, TSKB supports excavations at the ancient city of Patara, one of the major historical and cultural sites of our country, along with İşbank and Şişe ve Cam Fabrikaları A.Ş.

Patara was the capital of the Lycian League and Province located near the Kalkan town of Kaş, Antalya and is among the most important historical and cultural sites in Turkey. For about 30 years, excavations at the ancient city of Patara by the Ministry of Culture and Tourism have been led by Prof. Fahri Işık and Prof. Havva Işkan Işık from the Department of Classical Archaeology at Akdeniz University.



#### TSKB VOLUNTEERS

"TSKB Volunteers" program promotes employees of the Bank to develop their own projects and focus specifically on the projects that will create sustainable value within the society.

TSKB Volunteers develops various projects in order to disperse the NGO's campaigns in the Bank.

In 2018, FIT-TSKB runners in Istanbul Marathon raised donation for Turkish Foundation for Children in Need of Protection (Koruncuk).

#### EARTH HOUR

Enjoying opportunities to raise awareness on combating climate change, TSKB joins the Earth Hour, an initiative led by the World Wildlife Fund (WWF) aiming to increase acknowledgement on global climate change.

# SUSTAINABILITY GOALS

# 03



# 2019 AND 2020 SUSTAINABILITY GOALS

## FINANCING SUSTAINABILITY

2017-2018 Goals	2018 Realization	2019-2020 Goals
TSKB aims to set the share of its sustainable finance portfolio in the total loan portfolio, excluding the finance sector, at 55% minimum by the end of 2018 by considering renewable energy, energy and resource efficiency investments in Turkey, while also taking the repayment of previous loans into account.	Efforts to increase the share of TSKB's sustainable finance in the total loan portfolio continued in 2018 while also considering economic contribution indicators, and the share of sustainable finance stood at 73%.	TSKB aims to set the share of its sustainable and inclusive finance portfolio in the total loan portfolio, except for the finance sector, at 60% minimum by the end of 2020 by considering renewable energy, energy and resource efficiency investments in Turkey, while also taking the repayment of previous loans into account.
In terms of financing renewable energy, TSKB plans to sign a new loan agreement on a solar power plant of at least 50 MW, a wind power plant of 150 MW, a geothermal power plant of 130 MW and a project on biogas/biomass power of 15 MW by the end of 2018.	TSKB extended new funding to a solar power plant of 47 MW, a wind power plant of 250 MW, a geothermal power plant of 159 MW and a project on biogas/biomass power plant of 44 MW between 2017 and 2018.	It is expected that funds totaling USD 300 million will be extended until the end of 2020 within the framework of Sustainable Development Goals and inclusive finance in order to support women's employment as well as the economy in regions affected by refugee influx.
The Bank aims to continue supporting projects for improving energy and resource (water, raw material and other production inputs) efficiency in Turkey from all aspects, in order to increase efficiency in the industry and ensure effective and the most suitable use of exhaustible resources. To this end, TSKB plans to sign 15 new loan agreements on energy and/or resource efficiency projects by the end of 2018.	9 new energy efficiency investments and 10 new resource efficiency investments were funded between 2017 and 2018.	TSKB aims to conclude new loan agreements for a minimum of 150 MW renewable energy and a total of 10 energy efficiency and/or resource efficiency projects by 2020 under innovative financing for renewable energy.

## MANAGEMENT OF THE BANK'S INTERNAL AND EXTERNAL ENVIRONMENTAL-SOCIAL IMPACTS

2017-2018 Goals	2018 Realization	2019-2020 Goals
The Bank is committed to having its carbon footprint periodically measured and delivering banking operations through zero-carbon principles by offsetting its carbon footprint in the upcoming years.	Carbon emissions from the Bank's internal operations were calculated in line with the ISO 14064 management system and declared via a Greenhouse Gas Inventory Report. The audit process by an independent audit company for verification was completed as part of the efforts to offset carbon footprint and deliver banking operations in accordance with the zero carbon principles. The goal is accomplished.	The Bank is committed to having its carbon footprint periodically measured and delivering banking operations through zero-carbon principles by offsetting its carbon footprint in the upcoming years.

## MANAGEMENT OF THE BANK'S INTERNAL AND EXTERNAL ENVIRONMENTAL-SOCIAL IMPACTS

2017-2018 Goals	2018 Realization	2019-2020 Goals
By the end of 2021, the Bank aims to reduce its greenhouse emissions by 10% compared to the average of the last five years (2012-2016).	In 2018, greenhouse gas emissions fell by 3.5% year-on-year in compliance with the 2021 goal.	By the end of 2021, the Bank aims to reduce its greenhouse emissions by 10% compared to the average of the last 5 years (2012-2016).
In 2017 and 2018, TSKB aims to maintain the reduction rate in paper consumption achieved in the last two years, which is about 10%.	Paper consumption increased by 5% annually in compared to 2017.	Holding intra-Bank training events to raise awareness on waste reduction / waste recycling
TSKB will continue to send all paper consumed in its premises to recycling facilities and the implementation of 100% recycling of waste paper goal in the upcoming years.	In 2018, paper consumed at TSKB was entirely sent to recycling facilities, fulfilling the goal for 100% recycling of waste paper.	TSKB will continue to send all paper consumed in its premises to recycling facilities and maintain the practice of 100% recycling of waste paper in the upcoming years.
In 2017 and 2018, the Bank aims to manage its entire environmental and social impacts as well as its greenhouse emissions within the framework of ISO 14001 and ISO 14064 Standards.	The requirements of ISO 14001 and ISO 14064 management systems were delivered in a holistic manner in the Bank's operations. To that end, audits for the certification process were completed.	In 2019 and 2020, TSKB plans to manage all its environmental and social impacts as well as greenhouse gas emissions within the framework of ISO 14001 and ISO 14064 Standards.
The Bank is committed to measuring 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.	In 2018, environmental and social risk measurements under the ERET model were applied on a total of 60 investment loan projects irrespective of the project amount. As a result, 3 projects were classified as A (high) and 18 projects were classified as B+ (medium-high) risk projects while 25 projects and 14 projects were classified as B- (medium) and C (low) risk projects respectively. Risks were identified, required measures were taken on a project basis, and a monitoring and tracking system was set up. The goal is accomplished.	The Bank is committed to measuring 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.

## HUMAN RESOURCES

2017-2018 Goals	2018 Realization	2019-2020 Goals
A 'Development Workshop' program (comprehensive training series for theory, practice, implementation and experience consisting of classroom training program and project work for 10 full days) was initiated in 2014 for all employees at senior manager and manager level (approximately 80 people) and was completed in 2016. In 2016, the second phase of the program was launched for 45 Managers and Senior Managers who had not attended the previous training program. Continuing with the same content, the program is expected to be concluded in 2018.	The 2 <sup>nd</sup> Development Workshop was completed in May 2018, and graduated 42 participants.	In 2019, the Bank plans to diversify the scope of and re-design the program with a focus on leadership development.

# 2019 AND 2020 SUSTAINABILITY GOALS

## HUMAN RESOURCES

2017-2018 Goals	2018 Realization	2019-2020 Goals
Every year, TSKB offers all its employees a "Training Scheme" based on their core competences. Prepared so as to support competences that opens the door for improvement, these trainings are open to all employees and particularly focus on junior associates, associates and assistant managers. During performance evaluation meetings, the employees assess their competences together with their managers and may select training topics they need for their own improvement. Through this activity initiated in 2013, plans for the training process are now in place in a way to enable employees requesting training to attend at least one training per year.	174 people participated 14 catalogue trainings organized under 8 different topics in 2018.	In 2019, the scope of the work will be expanded in a way to establish tailored development plans and the process will proceed within a comprehensive monitoring of development. Our work on the training catalogue will maintain a focus on supporting our employees on global trends and topics.
TSKB has been organizing TSKB Career Workshop for "fresh graduates that are management trainees aiming to become a member of TSKB" since 2010 with the aim of "Creating a TSKB family" and "raising our own managers". At the end of this three-day workshop on enabling university students just starting their careers to explore their personal capabilities and increasing awareness on their potential, TSKB selects its new colleagues. TSKB Career Workshop will also be held in 2018.	42 university students attended the 9 <sup>th</sup> TSKB Career Workshop, organized between April 12-13, 2018. At the end of this 2-day Workshop, 14 new management trainees joined the TSKB family.	In 2019, strong employer branding efforts will continue on various platforms in regard to the recruitment of fresh graduates.
New management trainees selected via the TSKB Career Workshop are inducted into the MT Development program. This is a long-term program structured in a way to allow the development of well-equipped banking staff in the field of Development and Investment Banking and aims to prepare them for the future. To this end, management trainees participate vocational trainings on Banking that are delivered by internal and external trainers. In addition, it is planned that they receive training on "Basic Occupational Health and Safety", "Sustainability", "Corporate Governance, Ethical Principles, Anti-Corruption and Anti-Bribery", "Business Continuity", "Prevention of Laundering of Proceeds of Crime and of the Financing of Terrorism", "Protection of Personal Data", "Competition Law" and "Information Security and Awareness" during the program.	14 new management trainees who joined us following the 9 <sup>th</sup> Career Workshop program participated in the 36-day MT program delivered by internal and external trainers and their vocational development was supported.	Management trainees attend vocational training on Banking practices and are planned to attend training events on "Basic Occupational Health and Safety", "Sustainability", "Corporate Governance, Ethical Principles, Anti-Corruption and Anti-Bribery", "Business Continuity", "Prevention of Laundering of Proceeds of Crime and of the Financing of Terrorism", "Protection of Personal Data", "Competition Law", "Risk Management" and "Information Security and Awareness", all delivered by internal and external trainers.
The development program (coaching and international training programs) structured for managers at a department head level is planned to be continued.	International training programs and one-on-one coaching sessions were conducted with regard to "Strategy", "Leadership" and "Negotiation" under the program structured for those on the department head level in 2018.	The development program (coaching and international training programs) structured for managers at a department head level will continue in 2019 and 2020.

## CORPORATE SOCIAL RESPONSIBILITY

2017-2018 Goals	2018 Realization	2019-2020 Goals
Being the main communication channel of TSKB's social responsibility project, Çevreciyiz is the most comprehensive environment and sustainability web portal in Turkey to this day thanks to its robust content, mobile-compatible design and social media pages. The aim is to reach out to an even larger audience by increasing the number of followers for this platform in 2017-2018. To this end, the goal is to maintain the current visitors of Çevreciyiz web site and ensure an increase in the number of social media followers for the platform.	The number of online visitors at Çevreciyiz web site and social media followers increased.	The aim is to reach out to an even larger audience by increasing the number of followers for this platform in 2019-2020. To this end, the goal is to maintain the current visitors of Çevreciyiz web site and ensure an increase in the number of social media followers for the platform.
Since 2011, TSKB has been bringing together university students, i.e. future management trainees, with members of the academia in addition to private sector representatives and organizing the 'Sustainability Workshops', which is the first literacy program on sustainability, in cooperation with Escarus, the Bank's affiliate. TSKB aims to continue the Sustainability Workshop in collaboration with Escarus in 2017-2018 as well and organize at least one workshop every year.	TSKB Sustainability Workshop was held at ITU in December 2018. To this date, 240 university students have been involved in the case studies under the workshop.	TSKB aims to continue the Sustainability Workshop in collaboration with Escarus in 2019-2020 as well and organize at least 1 workshop every year.
As Turkey's first carbon neutral bank, TSKB acts responsibly in terms of the carbon footprint of the events it organizes. The Bank continues its efforts on becoming a "Zero Carbon" organization in 2017 and 2018, and plans to measure and offset, by purchasing Gold Standard Carbon Credits, the carbon footprint created by the concerts organized under IKSU-Istanbul Music Festival sponsored by TSKB as well as the Career Workshops, Sustainability Workshops and conferences hosted by TSKB. TSKB will continue to support the projects "Empower Through Education" scholarship fund and "Female Stars of Tomorrow" it launched at the end of 2017. In addition, TSKB will sustain its support to excavations at the Ancient City of Patara.	In 2018, TSKB offset the carbon footprint of the events it organized during the year and continued to support the Empower Through Education scholarship fund, Tomorrow's Female Stars support fund and excavations at the Ancient City of Patara.	The Bank continues its efforts on becoming a "Zero Carbon" organization in 2019 and 2020, and plans to measure and offset, by purchasing Gold Standard Carbon Credits, the carbon footprint created by the Career Workshops, Sustainability Workshops and conferences hosted by TSKB.

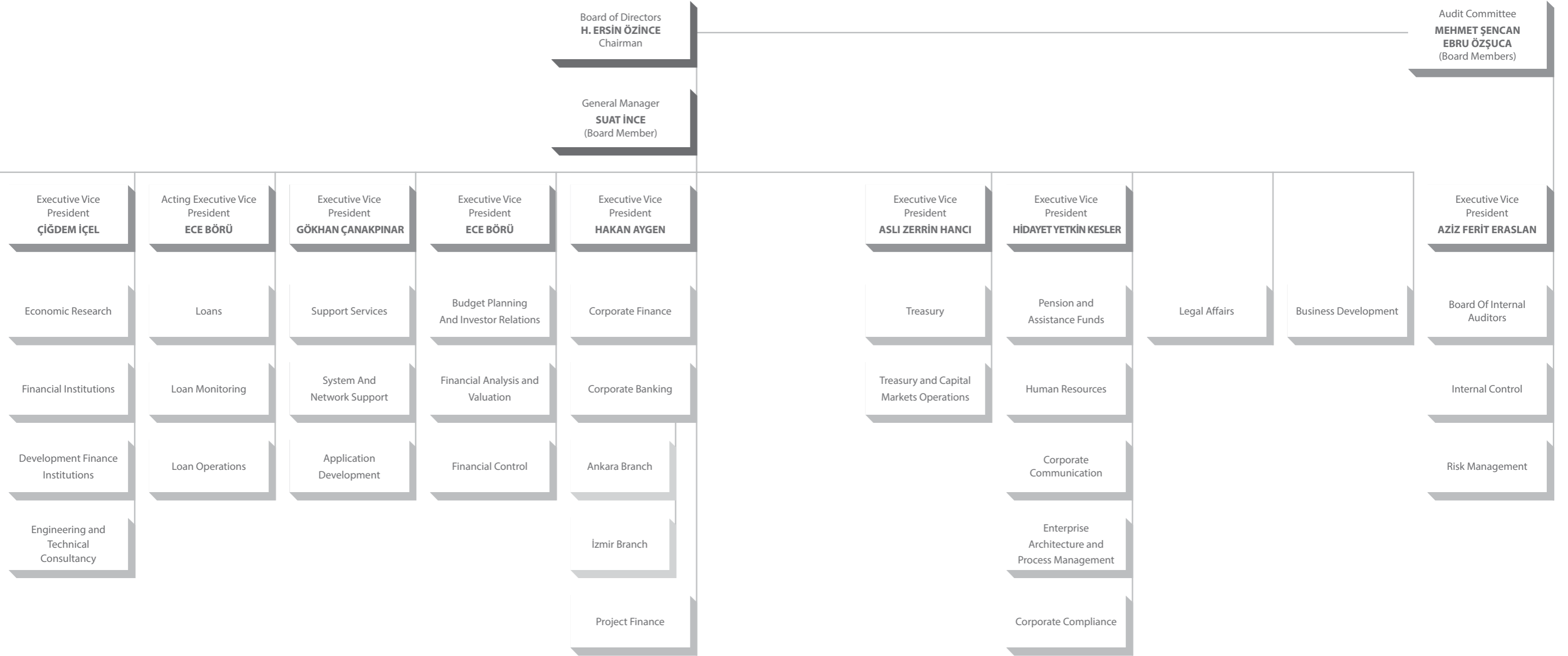
# CORPORATE GOVERNANCE AND RISK MANAGEMENT

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# ORGANIZATION CHART



\* As of December 31, 2018

## BOARD OF DIRECTORS



**H. ERSİN ÖZİNCE**  
Chairman of the Board

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 İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at İşbank, 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 İşbank.

Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince has been serving as the Chairman since 1 April 2011. He also serves as the Chairman of the Remuneration Committee since 29 December 2011, as a member of the Audit Committee, T.R.N.C. Internal Systems Committee and an alternate member of the Credit Committee since 4 April 2017.

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.

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). Mr. Özince is also the Chairman of TSKB's Board of Directors since 4 May 2017.



**MEHMET ŞENCAN**  
Vice Chairman

Having born in Adapazarı in 1964, Mr. Mehmet Şencan graduated from Management Engineering Department of Istanbul Technical University. He began his career at İşbank 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 Branches, and was appointed as the Manager of Bursa Corporate Branch in 2007, Başkent Corporate Branch in 2011 and Kozyatağı Corporate Branch in 2016. Mr. Şencan was appointed as Deputy Chief Executive on 27 April 2017. 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 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 İşbank 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 İşbank 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.



**YAVUZ CANEVİ**  
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 getting 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 appointed as a member of TSKB's Board of Directors on 9 April 2015.



**MEHMET EMİN ÖZCAN**  
Board Member

Mehmet Emin Özcan was born in 1960 and graduated from Ankara University, Faculty of Political Science and Department of Economics. Having started his professional career as an Assistant Auditor at İşbank in 1983, he held several managerial positions at Albaraka Türk Katılım Bankası. Between 2003 and 2005, he served as a Managing Board Member at Halkbank. During the same period, Mr. Özcan was a representative of the Bank in the IIF (Institute of International Finance) and a Board member of Demir-Halk Bank/Netherlands, Halk Yatırım Menkul Değerler and Halk Finansal Kiralama. Between 2005 and 2010, he was a member of the Board of Directors of Ziraatbank; he also served as Chairman and board member at various Ziraatbank subsidiaries. Between 2010 and 2013, he was assigned as Deputy Chairman of the Board of Directors at T. Halk Bankası A.Ş. and board member of Demir-Halk Bank Rotterdam. In 2013, he was elected as Deputy Chairman of Vakıfbank and held deputy and board chairman positions in several Vakıfbank subsidiaries. Having been appointed as the Turkish Republic of Northern Cyprus Central Bank Governor in 2017, he resigned from his position at Vakıfbank. In 9 June 2017, he was appointed as the general manager in Vakıfbank. Since 20 June 2017, Mr. Özcan has been a member of Board of Directors at TSKB.



**EBRU ÖZŞUCA**  
Board Member

Ebru Özşuca was born in Ankara in 1971 and graduated from Economics Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1992. Ms. Özşuca holds "International Banking" and "Finance" master's degrees from Middle East Technical University and Southampton University. Having started her professional career at İşbank as an assistant specialist in Treasury, she was promoted to assistant manager and unit manager of the same department. Between 2007 and 2011, Ms. Özşuca worked as the head of the Corporate Banking Products Department. In 2011, she was appointed as the Head of Treasury at İşbank. Ms. Özşuca has been a TSKB board member since 17 April 2014. Ms. Özşuca is an independent board member due to her membership in Audit Committee.

## BOARD OF DIRECTORS



### **MİTHAT RENDE** Board Member

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of University of Ankara. After graduation he worked in the Ministry of Commerce and then was admitted to the Ministry of Foreign Affairs, where he held posts in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London. 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, he has been a member of the TSKB Board of Directors since 4 April 2017.

### **ZEYNEP HANSU UÇAR** Board Member

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 İşbank 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, Istanbul Bilgi University in 2007. Having started his professional career at İşbank 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 the Head of Financial Analysis Department. Mr. Ünal has been a TSKB Board Member since 6 April 2018.

### **HÜSEYİN 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 İşbank 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 İşbank 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. In 2011, Mr. Yücel was appointed as Project Finance Unit Manager under Corporate Loan Allocation Department in which he finally has been positioned as the Department Manager in 2016. On 10 June 2016, Mr. Yücel has been appointed as a member of the TSKB's Board of Directors.

## 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 İşbank 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 İşbank 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.



### ÇİĞDEM İÇEL

Executive Vice President

Çiğdem İçel was born in Eskişehir in 1966 and graduated from the Department of Business Administration, Boğaziçi University. Ms. İçel began her professional career at TSKB as an Assistant Investment Advisor in the Treasury Department. After serving in a variety of positions, she was appointed as the Head of Treasury and Correspondent Banking Department in 1998. Çiğdem İçel was promoted to the Executive Vice President on 29 January 2006. Ms. İçel is currently responsible for the Development Finance Institutions, Financial Institutions, Economic Research, Engineering and Technical Consultancy Departments since 1 January 2017.



### GÖKHAN ÇANAKPINAR

Executive Vice President

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle East Technical University. Mr. Çanakpınar began his professional career at İpekş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at İşbank 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 Group Head 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 Departments since 1 January 2017.



### 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 Budget Planning&Investor Relations, Financial Analysis&Valuation and Financial Control, Loans, Loan Monitoring and Loan Operations Departments.



### 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 Marmara University in 1996. Mr. Aygen was appointed as the 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 November 28, 2013. Mr. Aygen has been in charge of Corporate Finance, Corporate Banking and Project Finance Departments since 1 January 2017.



### AZİZ FERİT ERASLAN

Executive Vice President

Aziz Ferit Eraslan was born in İstanbul in 1969. Following his graduation from the Public Administration Department of Middle East Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at İşbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of İşbank, 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 transformed to Financial Management Department in time. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer position at Closed Joint Stock Company İşbank. 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.



### ASLI ZERRİN HANCI

Executive Vice President

Aslı Zerrin 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 Departments.



### HİDAYET YETKİN 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.

# 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 Communiqué".

The Bank is in full compliance with the Corporate Governance Principles, with the exception of the following few non-compulsory principles. Below-mentioned principles that are not yet complied with did not so far result in any conflict of interest among the stakeholders.

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.

With respect to the principle no. 4.6.1, the performance of the Board of Directors is not assessed.

Regarding 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) is accessible via Public Disclosure Platform (PDP).

## SECTION II - SHAREHOLDERS

### 2.1. Investor Relations Department

Investor relations responsibilities are executed pursuant to the fundamentals of corporate governance which are transparency, accountability, responsibility and equality by the departments of Budget Planning&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
Ece Börü Executive Vice President for Budget Planning and Investor Relations, Financial Control and Financial Analysis&Valuation	0 212 334 51 91	borue@tskb.com.tr
Ayşe Nazlıca Head of Budget Planning and Investor Relations	0 212 334 51 94	nazlicaa@tskb.com.tr
Özen Çaylı Budget Planning and Investor Relations Department Manager*	0 212 334 52 49	halilogluo@tskb.com.tr
Emre Kalelioğlu Budget Planning and Investor Relations Manager	0 212 334 52 03	kalelioglue@tskb.com.tr
Özlem Bağdatlı Legal Affairs Department Manager	0 212 334 50 93	bagdatlio@tskb.com.tr
Korhan Aklar Legal Affairs Group 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).

Responding to all shareholder and analyst information claims received via telephone and e-mail in 2018, Investor Relations Department conducted total of 64 inforatory meetings with investors and analysts, 18 of which was abroad.

In the same year, quarterly teleconference meetings were organized. Thus, 4 teleconference meetings were held during 2017.

Activities of the Investor Relations Department were reported to the Corporate Governance Committee to be reviewed in the Committee's first meeting. The Committee submitted the relevant report to the Board of Directors, at the meeting dated February 26, 2019.

A total of 68 public disclosures were made in the time frame between 1 January - 31 December 2018 pursuant to the regulations of Capital Market Board. There were no special cases that Capital Market Board or Borsa Istanbul demanded additional explanation and that were not notified timely. On September 25, 2018, Borsa Istanbul order in relevant to the "Unusual Price and Volume Movements" was met at the same day and disclosed that there was special event pertaining to the Bank, which has not been disclosed to public.

A leading institution in corporate governance, the Bank attained a corporate governance rating in 2018 that enabled it to maintain its position among the highest-rated institutions. TSKB's corporate governance rating of 9.54 over 10 was confirmed by Saha Rating on October 20, 2018.

### TSKB's Corporate Governance Rating

Main Sections	Weight	Grade
Shareholders	0.25	9.49
Public Disclosure and Transparency	0.25	9.69
Stakeholders	0.15	9.85
Board of Directors	0.35	9.34
<b>Total</b>		<b>9.54</b>

### 2.2. General Assembly Meeting

During the Ordinary General Assembly held on March 23, 2018, the shareholders were given the right to ask questions and there has not been any proposal from shareholders regarding any additions to the agenda.

The following resolution was adopted by the shareholders unanimously:

- 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,

The following resolutions were adopted by the shareholders by majority votes:

- 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 2017,
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2017,
- Approval of the election of the Members of the Board of Directors in replacement of resigned members,
- Release of the Members of the Board of Directors from their responsibilities,
- Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend distribution date,
- Determination of allowance for the Members of the Board of Directors,
- Choosing the independent audit firm,
- Determination of the upper limit for the donations to be made in 2018.
- Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commerce Code, Articles 395 and 396.

## CORPORATE GOVERNANCE

Since the amount of special disbursement to be paid to employees according to their performances in 2017 was not decided yet, the General Assembly was notified that the payment was not realized yet and is going to be paid following the Board of Directors decision. Moreover, with a separate agenda item, the shareholders are notified that a total of TL 175,000 that was donated throughout the year.

Pursuant to the principle 1.3.6. of the Corporate Governance Principles, 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.

### 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
- 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.

The Dividend Policy dictates that as long as there are no unfavorable developments in global and local economic circumstances, and the Bank's financial position and capital adequacy ratio are at the foreseen levels, 30% of the distributable profit that is calculated as the first profit share will be paid out as cash and/or stock dividends.

Dividends are paid within the legally prescribed periods of time. The payment of dividends is completed in no case later than the end of the 5<sup>th</sup> month of the year as prescribed by the law.

The dividend proposal of The Board of Directors was accepted during the General Assembly. The cash dividend of the year 2017 equivalent to TL 96,000,000 was distributed on 26 March 2018, whereas the TL 400,000,000 was distributed as bonus shares subsequent to the registration of the said shares by the Capital Markets Board on June 4, 2018.

### 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 10 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	42 years	4 May 2017	-	T. İş Bankası A.Ş. Board Chairman
Mehmet Şencan *	Board Vice Chairman	Istanbul Technical University/ Management Engineering	30 years	7 Jun 2017	Audit Committee Chairman, Credit Revision Committee Member	T. İş Bankası A.Ş. Executive Vice President, İş Faktoring A.Ş. Board Chairman, JSC Isbank Georgia Board Chairman, JSC İşbank Board Chairman
Suat İnce	Board Member and CEO	Middle East Technical University, Economics and Administrative Sciences/ Economics	31 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	38 years	9 Apr 2015	-	Türkiye Ekonomi Bankası Board Chairman, FNSS Savunma Sistemleri A.Ş. Board Chairman, Global Relations Forum Founding Member, İktisadi Kalkınma Vakfı Board Member, TÜSİAD High Advisory Council Member
Mehmet Emin Özcan	Board Member	Ankara University / Economics	35 years	20 Jun 2017	-	T. Vakıflar Bankası T.A.O. CEO
Ebru Özşuca *	Board Member	Southampton University / International Banking and Finance	25 years	17 Apr 2014	Audit Committee Member, Corporate Governance Committee Chairman, Remuneration Committee Chairman	T. İş Bankası A.Ş. Executive Vice President, JSC İşbank Board Member
Mithat Rende	Independent Board Member	London-RCDS/Security and International Relations	30 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
Zeynep Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Business Administration	25 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 Chairwoman
Ahmet Hakan Ünal	Board Member	Istanbul Bilgi University/ B.A. in Business Administration	20 years	6 Apr 2018	Credit Revision Committee Member	T. İş Bankası A.Ş. Financial Analysis and Intelligence Department Head, İş Faktoring A.Ş. Board Member
Hüseyin Yalçın	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	41 years	6 Apr 2018	-	Retired Banker
Can Yücel	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	19 years	10 Jun 2016	Credit Revision Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Corporate Loans Placement Department Head, İşbank AG Board Member, JSC Isbank Georgia Board Member

\*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 Communique No: II.17.1., Article 6/(3)-a.

## CORPORATE GOVERNANCE

All of the Directors' Board Members were re-elected in the General Assembly on March, 23, 2018. As the period of duty is 3 years, end of duty date for the all of the members is 2021.

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, 2018, there was two women members in the Board of Directors. In 2019, the relevant policy is planned to be updated through time extension.

With the Nomination Committee's report dated January 18, 2018, Mr. Mithat Rende was presented as the independent board member nominee at the Board of Directors meeting on January 26, 2018. Following the approval of the Board of Directors, Mr. Rende was selected as the independent board member by the General Assembly held on 23 March 2018. Declaration of independence of Mr. Mithat Rende takes place below.

*"To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.;*  
*Whereas I am nominated to Independent Board of Directors Member on your Bank's General Assembly Meeting dated March 23, 2018, I hereby represent and warrant:*

*a) that there isn't any relations between myself, my spouse, my relatives up to second degree or my in-laws, and the Company or those persons who control the management of the Company or possess significant controlling power over the Company or legal persons who have controlling power on such shareholders and there isn't anyone among my relatives and in-laws that have had significant duties or responsibilities in management positions at the aforementioned legal persons; that I do not possess, jointly or individually, greater than 5% of the capital or rights to vote or privileged shares and that I do not have a significant commercial relations with the aforementioned;*

*b) that I have not taken part, in the last five years, in companies from which the Company purchases significant amounts of goods or services, especially controlling (including but not limited to tax inspection, legal audit, internal audit), rating or consultancy services, as shareholder (5% and above), Board of Directors member or in any other management position with important duties and responsibilities;*

*c) that I have ample vocational education, knowledge and experience to properly perform duties I'll undertake as can be reasonably expected from an independent Board of Directors Member;*

*d) that I am not employed by public sector organizations as a fulltime employee as of the date I was nominated to Independent Board of Directors Member and that –in the event I am elected, I will not work as a fulltime employee in public sector organizations throughout the term of my office as Independent Board of Directors Member;*

*e) that I am considered as a resident of Turkey in the sense of Income Tax Code (ITC) Code No: 193 dated December 31, 1960;*

*f) that I possess strong ethical standards, vocational reputation and experience to contribute to the Bank's success and to remain impartial and take decisions with careful consideration of the stakeholders' rights in the event of any conflicts of interest that might arise among the stakeholders of the Company;*

*g) that I will have enough time to monitor the Company's activities and fully perform my duties that I will undertake;*

*h) that I did not serve as a Board Member for a term longer than 6 years for the last 10 years;*

*i) that I did not serve as an Independent Board Member in more than three of the companies that have controlling power on the Company or shareholders of the Company and/or in more than five of the companies that are publicly traded in the stock market;*

*l) that I wasn't registered and announced for and on behalf of a legal person that is appointed to the Board of Directors Member and therefore, I will serve as an Independent Member.*

Sincerely,



### 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 seven 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 39 times between 1 January 2018 and 31 December 2018. 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 75 million insurance, which is signed by Türkiye İş Bankası A.Ş. for its group companies.

### 4.3 Number, Structure and Independence of Committees Established by the Board of Directors

The governing principles with respect to the board committees' duties and responsibilities are disclosed at the Bank's corporate website.

#### Audit Committee

Audit Committee has two members, which have been elected from among non-executive members of the board of directors. Current Audit Committee members are Mr. Mehmet Şencan (Chairman) and Ms. Ebru Özsuca (Member).

Operating principles of the Audit Committee is accessible at the Bank's website.

Audit Committee has gathered 30 times in the period of 1 January - 31 December 2018.

#### Corporate Governance Committee

Corporate Governance Committee is formed by 2 non-executive members of the Board of Directors and the Investor Relations Department Manager. The committee members were composed of Ms. Ebru Özsuca (Chairwoman), Ms. Zeynep Hansu Uçar (Member), and Ms. Özen Çaylı (Member) in 2018.

In accordance with the Communiqué, the duties of the Nomination Committee are incorporated into the duties and responsibilities of the Corporate Governance Committee. During the year, Nomination Committee held one meeting.

Corporate Governance Committee meets minimum 4 times a year or at any time when requested by a member, with a predetermined agenda. The Committee has conducted 4 meetings in 2017 at the Bank's head office with full attendance.

## CORPORATE GOVERNANCE

### Remuneration Committee

The committee is comprised of two Members of the Board, namely Ms. Ebru Özşuca (Chairwoman) and Ms. Zeynep Hansu Uçar (Member).

Duties, authorities and responsibilities of the Remuneration Committee as well as the procedures and principles that are applicable to their office can be found at the Bank's website.

Activities of the Bank regarding remuneration are under regular inspection and evaluation with respect to adherence to relevant legislation and policy provisions.

### 4.4. Financial Benefits

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 or non-cash 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 11,640 thousand.

Other payments with respect to traveling, accommodation and etc. paid to members of Board of Directors and senior management is TL 357,441.

## PROFIT DISTRIBUTION PROPOSAL

Pursuant to 47<sup>th</sup> article of our Articles of Association General Assembly shall be offered to reserve 2018 Net Profit of TL 660,925,623.04 as;

1. in accordance with paragraph (a) of the relevant article, allocation of TL 33,046,281.15 which is 5% of the net profit as legal reserves,
2. Allocation of the remainder TL 627,879,341.89 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 2018 Profit Distribution Proposal that of the net profit of TL 660,925,623.04, TL 33,046,281.15 will be reserved as general legal reserve, and the remaining TL 627,879,341.89 will be set aside as extraordinary reserves under shareholders' equity.

## SUMMARIZED BOARD OF DIRECTORS' REPORT

Esteemed shareholders,

You are all welcome to the 69<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 2018 accounting period as well as profit and loss statements.

Global economy presented a strong growth in 2018. However, global developments indicate that it is getting more difficult to maintain such a trend in global economic growth. Such developments include, among others, tightening measures in monetary policies, trade wars, increased geopolitical risks and weaker capital flows into developing countries.

The Turkish economy was influenced by negative geopolitical developments domestically as well as the rise in borrowing costs due to shrinking global liquidity. USD/TL rate which was 3.77 at the beginning of 2018, picked up by 40% to reach 5.28 at year-end. Increasing FX rates triggered a rise in the inflationist pressure since there is a high dependence on import inputs in production. In 2018, annual inflation surged from 11.9% to 20.3%.

International developments in the banking sector throughout the year and fluctuating FX rates led to a recession in loan growth in 2018. Our sector maintained its robust structure thanks to experienced and expert management staff, resilient capital structures and the impact of measures by regulatory authorities

despite the recession in economic activity and the relatively more challenging financial conditions.

At 2018 year-end, the asset size of the banking sector rose to TL 3.9 trillion with an increase of 18.7% and its total equity expanded by 17.4% to reach TL 421 billion. Total loans in the sector lifted up by 14.1% to reach TL 2.5 trillion.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2018, on a year-on-year basis, the Bank increased:

- its equity by 33.5% to reach TL 4,719,004 thousand,
- its loan stock by 26.3% to reach TL 28,226,307 thousand,
- its total assets by 32.5% to reach TL 38,298,111 thousand.

The Bank posted a net income of TL 660,926 thousand with a surge of 11% year-on-year in 2018. As of 2018 year-end, our capital adequacy ratio, return on equity, return on assets and NPL ratio stood at 16.2%, 16%, 2% and 2.1% 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 SİNAİ 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 2018 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 2018 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

Amendment in Article 5 pertaining to increasing the issued capital of the Bank from TL 2,400,000,000 to TL 2,800,000,000 was registered in Istanbul Trade Registry on June 7, 2018 and promulgated in the Official Gazette No. 9605 of June 22, 2018.

# 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. 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.

### 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.

## RISK MANAGEMENT POLICIES

### 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 Mr. Ebru Özşuca.

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 30 meetings held by the Audit Committee in 2018.

### 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
3 Years	26 Years	İşbank Financial Management Department, CJSC Isbank (Russia) Headquarters	Master's Degree Abroad

Head of Internal Auditors: Mehmet Sungun

Term of Office	Professional Experience	Worked Previously In	Education
5 Years	25 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
2.5 Years	20 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
2 Years	20 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 30 meetings in 2018. 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, two branches, 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 2018, Board of Auditors conducted 40 audits in terms of banking processes and information systems in total composed of Head Office departments, Bank's 2 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 2018, 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.

### 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 July 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 is 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 analyzed.

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 in 2018 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 company-wide 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 2018, 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 2018; the loan clients internal ratings model, which is active in 2018, was revised pursuant to the relevant regulation and present needs, as part of the IFRS 9 and IRB (Internal Ratings Based) Approach Standards Compliance Project.

The software and system infrastructure used related to "Asset Liability Risk Management" and "Market Risk Management" are revised.

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 2018; we believe that the activities performed were highly qualified and satisfactory.



Mehmet Şencan

Ebru Özsuca

Audit Committee Chairman

Audit Committee Member

# ASSURANCES

→ 05





(Convenience translation of a report originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Türkiye Sınai Kalkınma Bankası Anonim Şirketi

### 1) Qualified Opinion

We have audited the annual report of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) for the period of 1 January 2018 - 31 December 2018.

In our opinion, except for the matter specified in the Basis for Qualified Opinion paragraph, the 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 Bank are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

### 2) Basis for Qualified Opinion

As described in the Our Auditor's Opinion of Independent Auditor's Report on financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated 1 February 2019, the unconsolidated financial statements of the Bank as at 31 December 2018 include a free provision of an amount of TL 220,000 thousands, of which TL 30,000 thousands and TL 190,000 thousands was provided in current and prior years respectively by the Bank management, for possible results of the circumstances which may arise from possible changes in the economy and market conditions and include the reversal of deferred tax asset of an amount of TL 41,800 thousands, which was accounted based on the free provision provided in 31 December 2017. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 31 December 2018 is understated by TL 148,200 thousands after deducting the tax effect and the "pretax income" is understated by TL 30,000 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 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 Annual Report section of our report. We are independent of the Bank 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 Financial Statements

We have expressed a qualified opinion in our auditor's report dated 1 February 2019 on the full set financial statements of the Bank for the period of 1 January 2018 - 31 December 2018.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 515 of the Turkish Commercial Code 6102 ("TCC"), the management of the Bank is responsible for the following items:

- a) 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.
- b) Preparation and fair presentation of the annual report, reflecting the operations of the Bank 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 financial statements. The development of the Bank 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.



i) 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 Bank.
- 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.

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 Communiqué 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, "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 (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 the audit is Yaqar Bivas.

Güvenli Başarım Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Partner

5 March 2019

İstanbul, Türkiye



## INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors and Management of Türkiye Sınai Kalkınma Bankası A.Ş., Istanbul, Turkey

This Assurance Statement ('hereinafter 'Statement') is intended solely for the management of Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter 'TSKB' or 'the Company') for the purpose of evaluation of key indicators in its 2018 Integrated Report (hereinafter 'the Report') that has been prepared by the Company for the year ended 31 December 2018.

### Subject Matter Information and Applicable Criteria

We were engaged by the Company to provide limited assurance on the items listed below which can also be found as the 'Report Indicator Scope Table' at the appendix section of the Report.

### The scope of our assurance

The scope of our assurance service is limited to 2018 Subject Matter Information in financial, human and natural capital indicators, which are listed below, in TSKB's Headquarters.

- Rate of sustainability themed loans in loan portfolio.
- Gender ratio of management.
- Average hours of training per employee.
- % participation in employee satisfaction survey.
- Environmental impacts occurred by Bank activities:
  - Total electricity consumption (kWh)
  - Total natural gas consumption (m<sup>3</sup>)
  - Total water consumption (m<sup>3</sup>)
  - Total paper consumption (kg)
  - Electricity intensity per m<sup>2</sup> (kWh/m<sup>2</sup>)
  - Water intensity per employee (m<sup>3</sup>/employee)
  - Recycled waste of glass, plastic and paper (kg)
- Reduction estimation of GHG emissions from renewable energy projects financed in 2018.
- % of Turkey's renewable energy capacity as at end of 2018.
- Total installed capacity from renewable energy portfolio as at end of 2018

### The Company's Responsibilities

The Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

### Our Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

- Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
- Reviewed Selected Information on site covering TSKB Headquarters;
- Undertook substantive testing, on a sample basis, of the Selected Information;
- Used the Company's internal documentation to evaluate and measure the Selected Information;
- Evaluated the design and implementation of key processes and controls over the Selected Information;
- Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
- Evaluated the disclosure and presentation of Selected Information in the Report.

### Our conclusion

As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2018 is not prepared in all material respects in accordance with the 'Report Indicator Scope Table' that is presented in the appendix section of the Report.

### Our assurance team

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant companies in Turkey and internationally.

We permit this report to be disclosed in Türkiye Sınai Kalkınma Bankası A.Ş.'s Integrated Report for the year ended 31 December 2018, to enable the Directors of Türkiye Sınai Kalkınma Bankası A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Subject Matter Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Türkiye Sınai Kalkınma Bankası A.Ş. for our work or this report except where terms are expressly agreed between us in writing.

for Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş.  
A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM  
Partner  
Istanbul, 25.03.2019

Capital	Indicator	Content of the Indicator
Financial	Rate of sustainability themed loans in loan portfolio as at end of 2018 (pg. 39)	<p>The Bank defines this indicator as 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 2018.</p> <p><b>1) APEX</b> 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</p> <p><b>2) Themed loans</b> Titles under sustainable loans are: - Energy Generation (excluding thermic power plants) - Energy and Resource Efficiency - Environment - Sustainable Tourism - Electricity and Gas Distribution (not the whole loan but the infrastructure loans within the sub-sector) - Education &amp; Health - Small &amp; Medium Enterprises - Women Employment - Occupational Health and Safety - Innovation - Export loans</p> <p><b>3) Loans granted to companies with export ratio greater than 16%</b> The Turkish private sector export ratio average was 16% in 2018. 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 of 16% or above (calculated as ratio of foreign sales to total net sales) amongst sustainable-themed loans.</p>
Human	Gender ratio of management as at end of 2018 (pg. 39, 88)	<p>The Bank defines this indicator as the number of total Management level employees of TSKB (excluding subsidiaries) and the breakdown by gender at the reporting period end.</p> <p>Management level employees include the following levels: - Chief Executive Officer - Executive Vice President - Department Head - Senior Manager - Junior Manager</p>
Human	Average hours of training per employee in 2018 (pg. 39)	The Bank defines this indicator as 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 in employee satisfaction survey in 2017 (pg 39, 87)	The Bank defines this indicator as the ratio of the total number of employees who responded to the survey divided by the total number of survey participants.
Natural	Internal impacts (pg 78, 79)	Environmental impacts of the Bank's activities from its head-office buildings (excluding subsidiaries):
	1) Electricity consumption (kWh) from Head Office in 2018	The total electricity consumption includes electricity used for heating and other business operations that require electricity.
	2) Natural Gas consumption (m <sup>3</sup> ) from Head Office in 2018	The total natural gas (NG) consumption includes NG used for heating and cooking.
	3) Water consumption (m <sup>3</sup> ) from Head Office in 2018	Total water consumption (m <sup>3</sup> ) for the report period as measured by on-site flow meter readings.
	4) Paper consumption (kg) from Head Office in 2018	This indicator is defined as the total paper consumption by the Bank for the report period.
	5) Electricity intensity (Consumption in kWh/m <sup>2</sup> ) in 2018	This indicator is defined as the total electricity usage (in kWh) divided by the floor area (in m <sup>2</sup> ) occupied by the Bank for the report period.
	6) Water intensity (Consumption in m <sup>3</sup> /Staff) in 2018	This indicator is defined as the total water consumption (in m <sup>3</sup> ) divided by the average number of Bank employees in the report period. The average number of employees is calculated based on the number of employees at the end of June and December.
7) Recycled Waste of Glass, Plastic and Paper (tons) in 2018	This indicator is defined as the weight of recycled waste of glass, plastic and paper at the end of reporting period. Waste data is derived from invoices provided by the local municipality.	
Natural	Reduction estimation of GHG emissions from renewable energy projects financed in 2018 (pg. 72)	This indicator is defined as the estimated total GHG emissions reduction from the renewable energy projects partially or totally financed by the Bank. The assumptions for calculating the reduction for each renewable energy efficiency ratio were based on using the Turkey sector average between the years 2012-2018 for different renewable energy sources. For partially financed projects, the Bank's financing ratio for the project was not taken into consideration and the installed capacity of the project was used for calculation.
Natural	Total installed capacity from renewable energy portfolio as at end of 2018 (pg. 72)	This indicator is defined as the total installed renewable energy capacity, in MW, partially or totally financed by the Bank as at the report period end. For partially financed projects, the Bank's financing ratio for the project was not taken into consideration and the installed capacity of the project was used for calculation.
Natural	% of Turkey's renewable energy capacity as at end of 2018 (pg. 72)	This indicator is defined as the total renewable energy capacity, in MW, financed by the Bank compared against Turkey's total installed renewable energy capacity as at the report period end. For partially financed projects, the Bank's financing ratio for the project was not taken into consideration and the installed capacity of the project was used for calculation.

# ISO 14001 CERTIFICATE



# ISO 14064 CERTIFICATE



# FINANCIAL STATEMENTS AND NOTES



# 06



Scan the QR code to reach the notes related to the independent auditors' reports. The reports are also available at the website link below:  
<http://www.tskb.com.tr/en/investor-relations/financial-information>

# TÜRKİYE SİNAİ KALKINMA BANKASI ANONİM ŞİRKETİ

Independent Auditor's Audit Report, Unconsolidated Financial Statements And  
Notes For The Year Ended December 31, 2018

Convenience Translation of the Independent Auditors' Report Originally Issued in Turkish (See Note I in  
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 2018 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 2018 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 2018 include a free provision at an amount of TL 220.000 thousands, of which TL 30.000 thousands and TL 190.000 thousands was provided in current and prior years respectively by the Bank management, for possible results of the circumstances which may arise from possible changes in the economy and market conditions and include the reversal of deferred tax asset at an amount of TL 41.800 thousands, which was accounted based on the free provision provided in 31 December 2017. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 31 December 2018 is understated by TL 148.200 thousands after deducting the tax effect and the "pretax income" is understated by TL 30.000 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>Financial impact of transition to TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</b></p> <p>As presented in Section 3 disclosure XXIII.2, as of 1 January 2018, the Bank adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and 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>• Transition to TFRS 9 effect 1% on the Bank’s equity</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 re-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	How the matter is addressed in our audit
<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 2018 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 15 January 2019, there is no need for technical or actual deficit to book provision as of 31 December 2018.</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>
<p><b>Derivative Financial Instruments</b></p> <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 held-for-trading 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 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.

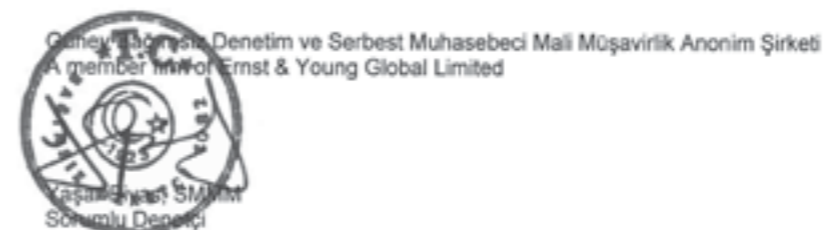
We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 2018 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.



1 February 2019  
İstanbul, Turkey

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018**

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

ASSETS	Section 5 Note I	Audited Current Period 31 December 2018		
		TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>5.271.537</b>	<b>3.188.671</b>	<b>8.460.208</b>
1.1 Cash and Cash Equivalents		600.251	1.339.979	1.940.230
1.1.1 Cash and Balances with Central Bank	(1)	6.349	736.875	743.224
1.1.2 Banks	(3)	20.650	603.104	623.754
1.1.3 Money Market Placements		573.252	-	573.252
1.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.2.1 Government Debt Securities		-	-	-
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.181.206	1.207.814	3.389.020
1.3.1 Government Debt Securities		2.008.419	1.165.034	3.173.453
1.3.2 Equity Instruments		20.958	41.778	62.736
1.3.3 Other Financial Assets		151.829	1.002	152.831
1.4 Financial Assets Measured at Amortized Cost	(6)	1.735.521	419.420	2.154.941
1.4.1 Government Debt Securities		1.735.521	419.420	2.154.941
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(2)	756.149	222.007	978.156
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		756.149	222.007	978.156
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		1.590	549	2.139
<b>II. LOANS (Net)</b>	(5)	<b>3.855.288</b>	<b>23.861.017</b>	<b>27.716.305</b>
2.1 Loans		3.913.748	23.586.256	27.500.004
2.1.1 Measured at Amortized Cost		3.913.748	23.295.596	27.209.344
2.1.2 Fair Value Through Profit or Loss		-	290.660	290.660
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	-	133.929	133.929
2.2.1 Financial Lease Receivables		-	151.102	151.102
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	17.173	17.173
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortized Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		35.985	556.389	592.374
2.5 Expected Credit Loss (-)		94.445	415.557	510.002
2.5.1 12 Months Expected Credit Losses (Stage I)		18.005	116.204	134.209
2.5.2 Significant Increase in Credit Risk (Stage II)		48.702	162.438	211.140
2.5.3 Credit-Impaired Losses (Stage III / Specific Provision)		27.738	136.915	164.653
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>1</b>	<b>-</b>	<b>1</b>
3.1 Held for Sale Purpose		1	-	1
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>1.322.466</b>	<b>-</b>	<b>1.322.466</b>
4.1 Investments in Associates (Net)	(7)	1.017.509	-	1.017.509
4.1.1 Accounted Under Equity Method		-	-	-
4.1.2 Unconsolidated Associates		1.017.509	-	1.017.509
4.2 Subsidiaries (Net)	(8)	304.957	-	304.957
4.2.1 Unconsolidated Financial Subsidiaries		301.178	-	301.178
4.2.2 Unconsolidated Non-Financial Subsidiaries		3.779	-	3.779
4.3 Entities under Common Control (Joint Venture) (Net)	(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(12)	<b>60.646</b>	<b>-</b>	<b>60.646</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>3.125</b>	<b>-</b>	<b>3.125</b>
6.1 Goodwill		-	-	-
6.2 Other		3.125	-	3.125
<b>VII. INVESTMENT PROPERTY (Net)</b>	(14)	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>3.535</b>	<b>-</b>	<b>3.535</b>
<b>X. OTHER ASSETS</b>	(17)	<b>80.779</b>	<b>651.046</b>	<b>731.825</b>
<b>TOTAL ASSETS</b>		<b>10.597.377</b>	<b>27.700.734</b>	<b>38.298.111</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018**

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

ASSETS	Section 5 Note I	Audited Prior Period 31 December 2017		
		TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	<b>10.591</b>	<b>836.540</b>	<b>847.131</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	<b>194.100</b>	<b>132.688</b>	<b>326.788</b>
2.1 Trading Financial Assets		194.100	132.688	326.788
2.1.1 Government Debt Securities		-	-	-
2.1.2 Share Certificates		-	-	-
2.1.3 Derivative Financial Assets Held for Trading		194.100	132.688	326.788
2.1.4 Other Marketable Securities		-	-	-
2.2 Financial Assets At Fair Value Through Profit And Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Other Marketable Securities		-	-	-
2.2.4 Loans		-	-	-
<b>III. BANKS</b>	(3)	<b>419</b>	<b>6.033</b>	<b>6.452</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.1 Interbank Money Market Placements		-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-
4.3 Receivables From Reverse Repurchase Agreements		-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>2.048.302</b>	<b>1.038.542</b>	<b>3.086.844</b>
5.1 Share Certificates		40.731	27.821	68.552
5.2 Government Debt Securities		1.821.667	1.009.955	2.831.622
5.3 Other Marketable Securities		185.904	766	186.670
<b>VI. LOANS AND RECEIVABLES</b>	(5)	<b>3.889.490</b>	<b>18.341.523</b>	<b>22.231.013</b>
6.1 Loans And Receivables		3.889.490	18.341.523	22.231.013
6.1.1 Loans to the Risk Group of the Bank		104.450	229.951	334.401
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		3.785.040	18.111.572	21.896.612
6.2 Non-Performing Loans		48.540	982	49.522
6.3 Specific Provisions (-)		48.540	982	49.522
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	<b>1.334.721</b>	<b>197.326</b>	<b>1.532.047</b>
8.1 Government Debt Securities		1.334.721	197.326	1.532.047
8.2 Other Marketable Securities		-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>308.497</b>	<b>-</b>	<b>308.497</b>
9.1 Accounted for under Equity Method		-	-	-
9.2 Unconsolidated Associates		308.497	-	308.497
9.2.1 Financial Investments		307.441	-	307.441
9.2.2 Non-Financial Investments		1.056	-	1.056
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>136.355</b>	<b>-</b>	<b>136.355</b>
10.1 Unconsolidated Financial Subsidiaries		134.976	-	134.976
10.2 Unconsolidated Non-Financial Subsidiaries		1.379	-	1.379
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Consolidated under Equity Method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial Subsidiaries		-	-	-
11.2.2 Non-Financial Subsidiaries		-	-	-
<b>XII. LEASE RECEIVABLES</b>	(10)	<b>-</b>	<b>63.410</b>	<b>63.410</b>
12.1 Finance Lease Receivables		-	73.957	73.957
12.2 Operating Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		-	10.547	10.547
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		-	-	-
13.3 Hedge of Net Investment in Foreign Operations		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>50.853</b>	<b>-</b>	<b>50.853</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>1.640</b>	<b>-</b>	<b>1.640</b>
15.1 Goodwill		-	-	-
15.2 Other		1.640	-	1.640
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>	(15)	<b>39.366</b>	<b>-</b>	<b>39.366</b>
17.1 Current Tax Asset		-	-	-
17.2 Deferred Tax Asset		39.366	-	39.366
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held for Sale Purpose		-	-	-
18.2 Related to Discontinued Operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>69.206</b>	<b>210.650</b>	<b>279.856</b>
<b>TOTAL ASSETS</b>		<b>8.083.540</b>	<b>20.826.712</b>	<b>28.910.252</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

LIABILITIES	Section 5 Note II	Audited Current Period 31 December 2018		
		TL	FC	Total
I. DEPOSITS	(1)	-	-	-
II. FUNDS BORROWED	(3)	127.007	23.449.011	23.576.018
III. MONEY MARKET BALANCES		41.543	137.458	179.001
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	6.949.189	6.949.189
4.1 Bills		-	-	-
4.2 Assets Backed Securities		-	-	-
4.3 Bonds		-	6.949.189	6.949.189
V. BORROWER FUNDS		2.408	30.121	32.529
5.1 Borrower Funds		2.408	30.121	32.529
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		442.269	350.050	792.319
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		442.269	350.050	792.319
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(5)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(7)	247.284	10.292	257.576
10.1 Restructuring Provisions		-	-	-
10.2 Reverse for Employee Benefits		12.089	-	12.089
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		235.195	10.292	245.487
XI. CURRENT TAX LIABILITY	(8)	91.846	-	91.846
XII. DEFERRED TAX LIABILITY	(8)	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(10)	-	1.549.774	1.549.774
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	1.549.774	1.549.774
XV. OTHER LIABILITIES		121.059	29.796	150.855
XVI. SHAREHOLDERS' EQUITY		4.788.438	(69.434)	4.719.004
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000
16.2 Capital Reserves		374	-	374
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		843.954	5.756	849.710
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(11)	(71.166)	(75.190)	(146.356)
16.5 Profit Reserves		518.691	-	518.691
16.5.1 Legal Reserves		270.024	-	270.024
16.5.2 Status Reserves		75.641	-	75.641
16.5.3 Extraordinary Reserves		170.106	-	170.106
16.5.4 Other Profit Reserves		2.920	-	2.920
16.6 Profit Or Loss		696.585	-	696.585
16.6.1 Prior Years' Profit/Loss		35.659	-	35.659
16.6.2 Current Year Profit/Loss		660.926	-	660.926
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.861.854</b>	<b>32.436.257</b>	<b>38.298.111</b>

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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

LIABILITIES	Section 5 Note II	Audited Prior Period 31 December 2017		
		TL	FC	Total
I. DEPOSITS	(1)	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-
1.2 Other		-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	123.710	108.693	232.403
III. FUNDS BORROWED	(3)	190.972	18.490.756	18.681.728
IV. MONEY MARKET BALANCES		652.183	161.138	813.321
4.1 Interbank Money Market Takings		202.143	-	202.143
4.2 Istanbul Stock Exchange Money Market Takings		-	-	-
4.3 Funds Provided Under Repurchase Agreements		450.040	161.138	611.178
V. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.746.229	3.746.229
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	3.746.229	3.746.229
VI. BORROWER FUNDS		1.178	11.723	12.901
6.1 Borrower Funds		1.178	11.723	12.901
6.2 Others		-	-	-
VII. MISCELLANEOUS PAYABLES		5.985	48.959	54.944
VIII. OTHER LIABILITIES	(4)	113.609	2.318	115.927
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES	(5)	-	-	-
10.1 Financial Lease Payables		-	-	-
10.2 Operating Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	78.682	78.682
11.1 Fair Value Hedge		-	78.682	78.682
11.2 Cash Flow Hedge		-	-	-
11.3 Hedge Of Net Investment In Foreign Operations		-	-	-
XII. PROVISIONS	(7)	441.174	-	441.174
12.1 General Loan Loss Provisions		150.275	-	150.275
12.2 Restructuring Provisions		-	-	-
12.3 Reserve For Employee Benefits		10.316	-	10.316
12.4 Insurance Technical Reserves (Net)		-	-	-
12.5 Other Provisions		280.583	-	280.583
XIII. TAX LIABILITY	(8)	51.990	-	51.990
13.1 Current Tax Liability		51.990	-	51.990
13.2 Deferred Tax Liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-
14.1 Held For Sale		-	-	-
14.2 Discontinued Operations		-	-	-
XV. SUBORDINATED LOANS	(10)	-	1.146.236	1.146.236
XVI. SHAREHOLDERS' EQUITY		3.522.277	12.440	3.534.717
16.1 Paid-In Capital	(11)	2.400.000	-	2.400.000
16.2 Capital Reserves		94.081	12.440	106.521
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Value Increase Fund	(11)	60.963	12.440	73.403
16.2.4 Tangible Assets Revaluation Differences	(11)	32.571	-	32.571
16.2.5 Intangible Assets Revaluation Differences		-	-	-
16.2.6 Investment Property Revaluation Differences		-	-	-
16.2.7 Bonus Shares Obtained From Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-
16.2.8 Hedging Funds (Effective Portion)		-	-	-
16.2.9 Accumulated Valuation Differences From Assets Held For Sale And From Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		547	-	547
16.3 Profit Reserves		432.528	-	432.528
16.3.1 Legal Reserves	(11)	238.854	-	238.854
16.3.2 Statutory Reserves		75.641	-	75.641
16.3.3 Extraordinary Reserves	(11)	115.113	-	115.113
16.3.4 Other Profit Reserves		2.920	-	2.920
16.4 Profit Or Loss		595.668	-	595.668
16.4.1 Prior Years' Profit/Loss		-	-	-
16.4.2 Current Year Profit/Loss		595.668	-	595.668
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.103.078</b>	<b>23.807.174</b>	<b>28.910.252</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2018**

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

OFF BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2018			Audited Prior Period 31 December 2017		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		9.601.673	54.896.234	64.497.907	7.082.272	40.593.244	47.675.516
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	487.947	2.685.862	3.173.809	563.000	2.010.713	2.573.713
1.1 Letters of Guarantee		487.947	1.095.048	1.582.995	563.000	912.647	1.475.647
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		487.947	1.095.048	1.582.995	563.000	912.647	1.475.647
1.2 Bank Acceptances		-	-	-	-	18.763	18.763
1.2.1 Import Letter of Acceptance		-	-	-	-	18.763	18.763
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	1.590.814	1.590.814	-	1.079.303	1.079.303
1.3.1 Documentary Letters of Credit		-	1.590.814	1.590.814	-	1.079.303	1.079.303
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	469.766	2.621.343	3.091.109	840.009	3.907.115	4.747.124
2.1 Irrevocable Commitments		232.991	358.418	591.409	434.140	325.439	759.579
2.1.1 Forward Asset Purchase and Sale Commitments		29.356	67.684	97.040	40.933	58.218	99.151
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		400	97.405	97.805	-	78.890	78.890
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		203.235	193.329	396.564	393.207	188.331	581.538
2.2 Revocable Commitments		236.775	2.262.925	2.499.700	405.869	3.581.676	3.987.545
2.2.1 Revocable Loan Granting Commitments		236.775	2.262.925	2.499.700	405.869	3.581.676	3.987.545
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	8.643.960	49.589.029	58.232.989	5.679.263	34.675.416	40.354.679
3.1 Derivative Financial Instruments for Hedging Purposes		-	18.028.129	18.028.129	-	10.582.050	10.582.050
3.1.1 Fair Value Hedge		-	18.028.129	18.028.129	-	10.582.050	10.582.050
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		8.643.960	31.560.900	40.204.860	5.679.263	24.093.366	29.772.629
3.2.1 Forward Foreign Currency Buy/Sell Transactions		1.819.934	1.981.015	3.800.949	981.505	3.844.600	4.826.105
3.2.1.1 Forward Foreign Currency Transactions-Buy		974.149	964.311	1.938.460	485.006	1.928.162	2.413.168
3.2.1.2 Forward Foreign Currency Transactions-Sell		845.785	1.016.704	1.862.489	496.499	1.916.438	2.412.937
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		4.260.046	26.861.956	31.122.002	2.378.082	17.843.640	20.221.722
3.2.2.1 Foreign Currency Swap-Buy		827.263	6.479.239	7.306.502	576.866	2.996.840	3.573.706
3.2.2.2 Foreign Currency Swap-Sell		3.432.783	3.670.711	7.103.494	1.766.440	1.667.336	3.433.776
3.2.2.3 Interest Rate Swap-Buy		-	8.356.003	8.356.003	17.388	6.589.732	6.607.120
3.2.2.4 Interest Rate Swap-Sell		-	8.356.003	8.356.003	17.388	6.589.732	6.607.120
3.2.3 Foreign Currency, Interest Rate, and Securities Options		2.563.980	2.704.528	5.268.508	2.319.676	2.332.296	4.651.972
3.2.3.1 Foreign Currency Options-Buy		1.281.990	1.352.264	2.634.254	1.159.838	1.166.148	2.325.986
3.2.3.2 Foreign Currency Options-Sell		1.281.990	1.352.264	2.634.254	1.159.838	1.166.148	2.325.986
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	13.401	13.401	-	72.830	72.830
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		69.544.760	361.651.050	431.195.810	58.811.358	240.601.901	299.413.259
<b>IV. ITEMS HELD IN CUSTODY</b>		114.936	222.460	337.396	345.091	243.801	588.892
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		63.577	221.641	285.218	40.935	243.801	284.736
4.3 Checks Received for Collection		130	-	130	-	-	-
4.4 Commercial Notes Received for Collection		-	819	819	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		51.229	-	51.229	304.156	-	304.156
<b>V. PLEDGES ITEMS</b>		50.393.171	208.821.948	259.215.119	44.620.472	137.020.472	181.640.944
5.1 Marketable Securities		484.248	12.637.631	13.121.879	448.045	8.985.543	9.433.588
5.2 Guarantee Notes		72.616	3.179.739	3.252.355	108.232	2.361.726	2.469.958
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.232.486	56.825.467	60.057.953	1.662.623	36.518.097	38.180.720
5.6 Other Pledged Items		46.603.821	136.179.111	182.782.932	42.401.572	89.155.106	131.556.678
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		19.036.653	152.606.642	171.643.295	13.845.795	103.337.628	117.183.423
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		79.146.433	416.547.284	495.693.717	65.893.630	281.195.145	347.088.775

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

INCOME AND EXPENSE ITEMS	Section 5 Note IV	Audited Current Period 1 January 2018- 31 December 2018
<b>I. INTEREST INCOME</b>	(1)	3.034.857
1.1 Interest on Loans		2.104.578
1.2 Interest Received from Reserve Deposits		10.258
1.3 Interest Received from Banks		35.785
1.4 Interest Received from Money Market Placements		107.120
1.5 Interest Received from Marketable Securities Portfolio		760.996
1.5.1 Fair Value through Profit or Loss		20
1.5.2 Fair Value Through other Comprehensive Income		358.776
1.5.3 Measured at Amortized Cost		402.200
1.6 Finance Lease Income		6.060
1.7 Other Interest Income		10.060
<b>II. INTEREST EXPENSES (-)</b>	(2)	1.281.465
2.1 Interest on Deposits		-
2.2 Interest on Funds Borrowed		561.487
2.3 Interest on Money Market Borrowings		227.216
2.4 Interest on Securities Issued		491.351
2.5 Other Interest Expense		1.411
<b>III. NET INTEREST INCOME (I - II)</b>		1.753.392
<b>IV. NET FEES AND COMMISSIONS INCOME / EXPENSES</b>		19.001
4.1 Fees and Commissions Received		25.749
4.1.1 Non-cash Loans		21.798
4.1.2 Other		3.951
4.2 Fees and Commissions Paid (-)		6.748
4.2.1 Non-cash Loans		967
4.2.2 Other		5.781
<b>V. PERSONNEL EXPENSES (-)</b>	(7)	107.223
<b>VI. DIVIDEND INCOME</b>	(3)	4.011
<b>VII. NET TRADING INCOME</b>	(4)	(267.231)
7.1 Securities Trading Gains / (Losses)		2.013
7.2 Derivative Financial Instruments Gains / Losses		(477.108)
7.3 Foreign Exchange Gains / Losses (Net)		207.864
<b>VIII. OTHER OPERATING INCOME</b>	(5)	94.158
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		1.496.108
<b>X. EXPECTED CREDIT LOSS (-)</b>	(6)	531.193
<b>XI. OTHER OPERATING EXPENSES (-)</b>	(7)	55.652
<b>XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		909.263
<b>XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-
<b>XIV. PROFIT / (LOSS) ON EQUITY METHOD</b>		-
<b>XV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-
<b>XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>		909.263
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	248.337
17.1 Provision for Current Income Taxes		146.335
17.2 Deferred Tax Income Effect (+)		249.477
17.3 Deferred Tax Expense Effect (-)		147.475
<b>XVIII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)</b>	(9)	660.926
<b>XIX. INCOME ON DISCONTINUED OPERATIONS</b>		-
19.1 Income on Assets Held for Sale		-
19.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
19.3 Income on Other Discontinued Operations		-
<b>XX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-
20.1 Loss from Assets Held for Sale		-
20.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
20.3 Loss from Other Discontinued Operations		-
<b>XXI. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)</b>		-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-
22.1 Provision for Current Income Taxes		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
<b>XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>	(10)	660.926
Earning / (loss) per share		0,236

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

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

INCOME AND EXPENSE ITEMS	Section 5 Note IV	Audited Prior Period 1 January 2017 – 31 December 2017
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>1.826.236</b>
1.1 Interest on Loans		1.298.914
1.2 Interest on Reserve Requirements		5.617
1.3 Interest on Banks		35.019
1.4 Interest on Money Market Transactions		51.422
1.5 Interest on Marketable Securities Portfolio		431.900
1.5.1 Trading Financial Assets		1.032
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-
1.5.3 Available-for-Sale Financial Assets		240.899
1.5.4 Held-to-Maturity Investments		189.969
1.6 Financial Lease Income		1.659
1.7 Other Interest Income		1.705
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>786.945</b>
2.1 Interest on Deposits		-
2.2 Interest on Funds Borrowed		322.678
2.3 Interest Expense on Money Market Transactions		200.412
2.4 Interest on Securities Issued		262.943
2.5 Other Interest Expenses		912
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1.039.291</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>14.435</b>
4.1 Fees and Commissions Received		20.992
4.1.1 Non-Cash Loans		16.335
4.1.2 Other		4.657
4.2 Fees and Commissions Paid (-)		6.557
4.2.1 Non-Cash Loans (-)		796
4.2.2 Other (-)		5.761
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>18.001</b>
<b>VI. TRADING INCOME / (LOSS) (Net)</b>	<b>(4)</b>	<b>(45.515)</b>
6.1 Trading Gains / (Losses) on Securities		5.863
6.2 Gains / (Losses) on Derivative Financial Transactions		(219.765)
6.3 Foreign Exchange Gains / (Losses)		168.387
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>34.834</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.061.046</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>201.300</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>132.443</b>
<b>XI. NET OPERATING INCOME / (LOSS) (VIII-IX-X)</b>		<b>727.303</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>
<b>XIII. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>
<b>XIV. INCOME / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)</b>		<b>727.303</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>(131.635)</b>
16.1 Current Tax Provision		(161.659)
16.2 Deferred Tax Provision		30.024
<b>XVII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(9)</b>	<b>595.668</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
18.1 Income from Non-Current Assets Held for Sale		-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
18.3 Income from Other Discontinued Operations		-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
19.1 Expenses for Non-Current Assets Held for Sale		-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3 Expenses for Other Discontinued Operations		-
<b>XX. PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
21.1 Current Tax Provision		-
21.2 Deferred Tax Provision		-
<b>XXII. CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>
<b>XXIII. NET INCOME / LOSS (XVII+XXII)</b>	<b>(10)</b>	<b>595.668</b>
Earning / (loss) per share (Full Kurus)		0,248

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Current Period 1 January 2018 – 31 December 2018
<b>I. CURRENT PERIOD INCOME / LOSS</b>	<b>660.926</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>597.207</b>
<b>2.1 Not Reclassified Through Profit or Loss</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	(670)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	704.280
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(972)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>(114.798)</b>
2.2.1 Foreign Currency Translation Differences	7.857
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(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	34.393
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>1.258.133</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME UNDER SHAREHOLDERS' EQUITY	Audited Prior Period 1 January 2017 – 31 December 2017
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>26.270</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCY</b>	<b>3.604</b>
<b>V. GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)</b>	<b>-</b>
<b>VI. GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion)</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS OF ERRORS</b>	<b>-</b>
<b>VIII. OTHER PROFIT / LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>78.490</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>(4.853)</b>
<b>X. NET PROFIT / LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>103.511</b>
<b>XI. CURRENT YEAR PROFIT / LOSS</b>	<b>595.668</b>
11.1 Net Change in Fair Value of Marketable Securities (Recycled to Profit/Loss)	(305)
11.2 Reclassification and Recycling Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	-
11.3 Recycling Hedge of Net Investments in Foreign Operations to Income Statement	-
11.4 Other	595.973
<b>XII. TOTAL PROFIT / LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	<b>699.179</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

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

CHANGES IN SHAREHOLDERS' EQUITY	Section 5 Note V	Paid in Capital	Other Capital Reserves	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
Prior Period – 31 December 2017																			
I. Opening Balance		2.050.000	777	-	-	213.923	75.641	106.400	2.920	-	476.445	(32.469)	34.702	-	-	-	2.928.339	-	2.928.339
Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. 2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)		2.050.000	777	-	-	213.923	75.641	106.400	2.920	-	476.445	(32.469)	34.702	-	-	-	2.928.339	-	2.928.339
Changes in the period																			
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	102.268	-	-	-	-	102.268	-	102.268
VI. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	(2.131)	-	-	-	(2.131)	-	(2.131)
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	3.604	-	-	-	-	3.604	-	3.604
XI. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	(230)	-	-	-	-	-	-	-	-	-	-	-	-	-	(230)	-	(230)
XIX. Period net income		-	-	-	-	-	-	-	-	595.668	-	-	-	-	-	-	595.668	-	595.668
XX. Profit distribution		-	-	-	-	24.931	-	8.713	-	-	(126.445)	-	-	-	-	-	(92.801)	-	(92.801)
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	(92.801)	-	(92.801)
20.2 Transfers to reserves		-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.400.000	547	-	-	238.854	75.641	115.113	2.920	595.668	-	73.403	32.571	-	-	-	3.534.717	-	3.534.717

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Section 5 Note V	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
<b>Current Period – 31 December 2018</b>																	
I.	Prior Period End Balance	2.400.000	-	-	374	32.571	173	104.961	7.847	(39.405)	-	432.528	595.668	-	3.534.717	-	3.534.717
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	35.659	-	35.659	-	35.659
2.1	Effects of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	35.659	-	35.659	-	35.659
III.	Adjusted Beginning Balance (I+II)	2.400.000	-	-	374	32.571	173	104.961	7.847	(39.405)	-	432.528	631.327	-	3.570.376	-	3.570.376
IV.	Total Comprehensive Income	-	-	-	-	8.337	(522)	704.190	7.857	(122.655)	-	-	-	660.926	1.258.133	-	1.258.133
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	400.000	-	-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-
VII.	Effect of Inflation on Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	86.163	(195.668)	-	(109.505)	-	(109.505)
11.1	Dividends Distributed	-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	86.163	(85.803)	-	360	-	360
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance	2.800.000	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	35.659	660.926	4.719.004	-	4.719.004

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 Transition 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)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Note	Audited Current 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>1.763.319</b>
1.1.1 Interest Received		2.463.185
1.1.2 Interest Paid		(1.243.147)
1.1.3 Dividends Received		4.011
1.1.4 Fees and Commissions Received		25.749
1.1.5 Other Income	(1)	6.135
1.1.6 Collections from Previously Written off loans		9.014
1.1.7 Payments to Personnel and Service Suppliers		(107.255)
1.1.8 Taxes Paid		(107.872)
1.1.9 Others	(1)	713.499
<b>1.2 Changes in Operating Assets and Liabilities</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		1.227.382
1.2.4 Net (Increase) (Decrease) in Other Assets	(1)	(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		(1.545.419)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-
1.2.10 Net (Increase) (Decrease) in Other Liabilities	(1)	(651.961)
<b>I. Net Cash Provided by / (used in) Banking Operations</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>(477.255)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries	(2)	(152.380)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries	(3)	-
2.3 Purchases of Property and Equipment	(2)	(4.181)
2.4 Disposals of Property and Equipment	(3)	94
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(680.955)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		590.195
2.7 Purchase of Financial Assets Measured at Amortized Cost		(227.528)
2.8 Sale of Financial Assets Measured at Amortized Cost		-
2.9 Others	(2)	(2.500)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided by / (used in) Financing Activities</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		-
3.3 Capital Increase		-
3.4 Dividends Paid		(109.865)
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(1)</b>	<b>45.114</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>1.181.934</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>(4)</b>	<b>20.176</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>(4)</b>	<b>1.202.110</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Note	Audited Prior Period 31 December 2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>865.402</b>
1.1.1 Interest Received		1.529.787
1.1.2 Interest Paid		(780.028)
1.1.3 Dividends Received		3.270
1.1.4 Fees and Commissions Received		20.992
1.1.5 Other Income	(1)	41.077
1.1.6 Collections from Previously Written off loans		3.827
1.1.7 Payments to Personnel and Service Suppliers		(84.635)
1.1.8 Taxes Paid		(122.638)
1.1.9 Others	(1)	253.750
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(2.403.690)</b>
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		4.658
1.2.2 Net (Increase) (Decrease) in Due from Banks		-
1.2.3 Net (Increase) (Decrease) in Loans		-
1.2.4 Net (Increase) (Decrease) in Other Assets		(2.801.974)
1.2.5 Net (Increase) (Decrease) in Bank Deposits	(1)	(154.905)
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		661.810
1.2.9 Net (Increase) (Decrease) in Matured Payable		-
1.2.10 Net (Increase) (Decrease) in Other Liabilities	(1)	(113.279)
<b>I. Net Cash Provided by / (used in) Banking Operations</b>		<b>(1.538.288)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided by / (used in) Investing Activities</b>		<b>91.693</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries	(2)	-
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries	(3)	-
2.3 Purchases of Property and Equipment	(2)	(3.580)
2.4 Disposals of Property and Equipment	(3)	300
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(781.787)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		878.041
2.7 Purchase of Financial Assets Measured at Amortized Cost		-
2.8 Sale of Financial Assets Measured at Amortized Cost		-
2.9 Others	(2)	(1.281)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided by / (used in) Financing Activities</b>		<b>984.199</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		1.077.000
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Capital Increase		-
3.4 Dividends Paid		(92.801)
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(1)</b>	<b>659</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(461.737)</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>(4)</b>	<b>481.913</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>(4)</b>	<b>20.176</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Audited Current Period 31 December 2018 <sup>(1)</sup>	Audited Prior Period 31 December 2017
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	909.263	727.303
1.2	248.337	131.635
1.2.1	146.335	161.659
1.2.2	-	-
1.2.3	102.002	(30.024)
<b>A.</b>	<b>660.926</b>	<b>595.668</b>
1.3	-	-
1.4	-	29.783
1.5	-	-
<b>B.</b>	<b>660.926</b>	<b>565.885</b>
1.6	-	169.820
1.6.1	-	169.818
1.6.2	-	-
1.6.3	-	2
1.6.4	-	-
1.6.5	-	-
1.7	-	11.882
1.8	-	1.981
1.9	-	326.182
1.9.1	-	326.182
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	1.387
1.11	-	-
1.12	-	54.633
1.13	-	-
1.14	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
<b>III. EARNINGS PER SHARE <sup>(2)</sup></b>		
3.1	0,24	0,25
3.2	23,60	24,82
3.3	-	-
3.4	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	-	0,21
4.2	-	20,67
4.3	-	-
4.4	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2018 yet, only profit available for distribution for the year 2018 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.

# TÜRKİYE SİNAİ KALKINMA BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Independent Auditor's Audit Report, Consolidated Financial Statements and Notes for  
the Year Ended December 31, 2018

Convenience Translation of the Independent Auditors' Report Originally Issued in Turkish (See Note I in Section Three)

#### INDEPENDENT AUDITOR'S REPORT

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 2018 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 2018 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 consolidated financial statements as at 31 December 2018 include a free provision at an amount of TL 220.000 thousands, of which TL 30.000 thousands and TL 190.000 thousands was provided in current and prior years respectively by the Bank management, for possible results of the circumstances which may arise from possible changes in the economy and market conditions and include the reversal of deferred tax asset at an amount of TL 41.800 thousands, which was accounted based on the free provision provided in 31 December 2017. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 31 December 2018 is understated by TL 148.200 thousands after deducting the tax effect and the "pretax income" is understated by TL 30.000 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>Financial impact of transition to TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</b></p> <p>As presented in Section 3 disclosure XXIV.1, as of 1 January 2018, the Group adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and 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>• Transition to TFRS 9 effect 0.04% on the Group's equity</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 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>• Policies implemented by the Group management include compliance risk to the regulations and other practices.</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>• 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 re-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	How the matter is addressed in our audit
<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 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 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 2018 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 15 January 2019, there is no need for technical or actual deficit to book provision as of 31 December 2018.</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>
<p><b>Derivative Financial Instruments</b></p> <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 held-for-trading 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 BRSB 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 BRSB 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 BRSB 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.

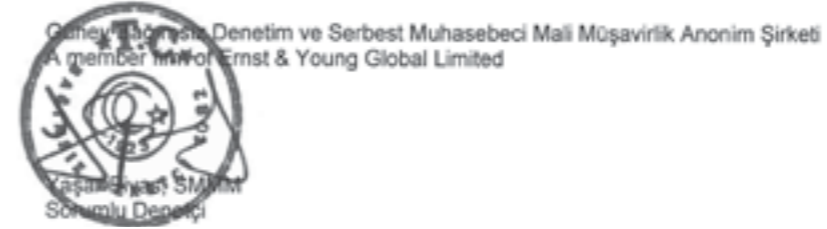
We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 2018 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.



1 February 2019  
İstanbul, Turkey

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

ASSETS	Section 5 Note I	Audited Current Period 31 December 2018		
		TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>5.329.706</b>	<b>3.356.329</b>	<b>8.686.035</b>
1.1 Cash and Cash Equivalents		616.435	1.507.637	2.124.072
1.1.1 Cash and Balances with Central Bank	(1)	6.353	736.875	743.228
1.1.2 Banks	(3)	36.469	770.762	807.231
1.1.3 Money Market Placements		573.613	-	573.613
1.2 Financial Assets at Fair Value Through Profit or Loss		9.859	-	9.859
1.2.1 Government Debt Securities		8	-	8
1.2.2 Equity Instruments		1	-	1
1.2.3 Other Financial Assets		9.850	-	9.850
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.212.499	1.207.814	3.420.313
1.3.1 Government Debt Securities		2.008.419	1.165.034	3.173.453
1.3.2 Equity Instruments		52.251	41.778	94.029
1.3.3 Other Financial Assets		151.829	1.002	152.831
1.4 Financial Assets Measured at Amortized Cost	(6)	1.735.521	419.420	2.154.941
1.4.1 Government Debt Securities		1.735.521	419.420	2.154.941
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets		757.214	222.007	979.221
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss	(2)	757.214	222.007	979.221
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		1.822	549	2.371
<b>II. LOANS (Net)</b>	(5)	<b>3.982.725</b>	<b>23.861.017</b>	<b>27.843.742</b>
2.1 Loans		4.042.513	23.586.256	27.628.769
2.1.1 Measured at Amortized Cost		4.042.513	23.295.596	27.338.109
2.1.2 Fair Value Through Profit or Loss		-	290.660	290.660
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	-	133.929	133.929
2.2.1 Financial Lease Receivables		-	151.102	151.102
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	17.173	17.173
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortized Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		40.821	556.389	597.210
2.5 Expected Credit Loss (-)		100.609	415.557	516.166
2.5.1 12 Months Expected Credit Losses (Stage I)		19.333	116.204	135.537
2.5.2 Significant Increase in Credit Risk (Stage II)		48.702	162.438	211.140
2.5.3 Credit-Impaired Losses (Stage III / Specific Provision)		32.574	136.915	169.489
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>1</b>	<b>-</b>	<b>1</b>
3.1 Held for Sale Purpose		1	-	1
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>435.915</b>	<b>-</b>	<b>435.915</b>
4.1 Investments in Associates (Net)	(7)	429.546	-	429.546
4.1.1 Accounted Under Equity Method		428.490	-	428.490
4.1.2 Unconsolidated Associates		1.056	-	1.056
4.2 Subsidiaries (Net)	(8)	4.609	-	4.609
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		4.609	-	4.609
4.3 Entities under Common Control (Joint Venture) (Net)	(9)	1.760	-	1.760
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		1.760	-	1.760
<b>V. TANGIBLE ASSETS (Net)</b>	(12)	<b>292.651</b>	<b>-</b>	<b>292.651</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>4.872</b>	<b>-</b>	<b>4.872</b>
6.1 Goodwill		1.005	-	1.005
6.2 Other		3.867	-	3.867
<b>VII. INVESTMENT PROPERTY (Net)</b>	(14)	<b>247.793</b>	<b>-</b>	<b>247.793</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>3.575</b>	<b>-</b>	<b>3.575</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>3.844</b>	<b>-</b>	<b>3.844</b>
<b>X. OTHER ASSETS</b>	(17)	<b>99.968</b>	<b>651.044</b>	<b>751.012</b>
<b>TOTAL ASSETS</b>		<b>10.401.050</b>	<b>27.868.390</b>	<b>38.269.440</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

ASSETS	Section 5 Note I	Audited Prior Period 31 December 2017		
		TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	<b>10.595</b>	<b>836.540</b>	<b>847.135</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>		<b>203.405</b>	<b>132.688</b>	<b>336.093</b>
2.1 Trading Financial Assets		203.405	132.688	336.093
2.1.1 Government Debt Securities		-	-	-
2.1.2 Share Certificates		21	-	21
2.1.3 Derivative Financial Assets Held for Trading		194.100	132.688	326.788
2.1.4 Other Marketable Securities		9.284	-	9.284
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Other Marketable Securities		-	-	-
2.2.4 Loans		-	-	-
<b>III. BANKS</b>	(3)	<b>464.978</b>	<b>28.709</b>	<b>493.687</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>3</b>	<b>-</b>	<b>3</b>
4.1 Interbank Money Market Placements		-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-
4.3 Receivables From Reverse Repurchase Agreements		3	-	3
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>2.052.830</b>	<b>1.038.542</b>	<b>3.091.372</b>
5.1 Share Certificates		45.259	27.821	73.080
5.2 Government Debt Securities		1.821.667	1.009.955	2.831.622
5.3 Other Marketable Securities		185.904	766	186.670
<b>VI. LOANS and RECEIVABLES</b>	(5)	<b>3.995.707</b>	<b>18.341.523</b>	<b>22.337.230</b>
6.1 Loans and Receivables		3.995.707	18.341.523	22.337.230
6.1.1 Loans to the Risk Group of the Bank		104.450	229.951	334.401
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		3.891.257	18.111.572	22.002.829
6.2 Non-performing Loans		52.593	982	53.575
6.3 Specific Provisions (-)		52.593	982	53.575
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	(6)	<b>1.334.721</b>	<b>197.326</b>	<b>1.532.047</b>
8.1 Government Debt Securities		1.334.721	197.326	1.532.047
8.2 Other Marketable Securities		-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>375.481</b>	<b>-</b>	<b>375.481</b>
9.1 Accounted for under Equity Method		374.425	-	374.425
9.2 Unconsolidated Associates		1.056	-	1.056
9.2.1 Financial Investments		-	-	-
9.2.2 Non-Financial Investments		1.056	-	1.056
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>1.609</b>	<b>-</b>	<b>1.609</b>
10.1 Unconsolidated Financial Subsidiaries		-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		1.609	-	1.609
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURE) (Net)</b>	(9)	<b>1.760</b>	<b>-</b>	<b>1.760</b>
11.1 Consolidated under Equity Method		-	-	-
11.2 Unconsolidated		1.760	-	1.760
11.2.1 Financial Subsidiaries		-	-	-
11.2.2 Non-Financial Subsidiaries		1.760	-	1.760
<b>XII. LEASE RECEIVABLES</b>	(10)	<b>-</b>	<b>63.410</b>	<b>63.410</b>
12.1 Financial Lease Receivables		-	73.957	73.957
12.2 Operating Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		-	10.547	10.547
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>		<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		-	-	-
13.3 Hedge of Net Investment in Foreign Operations		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>245.798</b>	<b>-</b>	<b>245.798</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>3.585</b>	<b>-</b>	<b>3.585</b>
15.1 Goodwill		1.005	-	1.005
15.2 Other		2.580	-	2.580
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	<b>243.145</b>	<b>-</b>	<b>243.145</b>
<b>XVII. TAX ASSET</b>		<b>45.338</b>	<b>-</b>	<b>45.338</b>
17.1 Current Tax Asset		4.448	-	4.448
17.2 Deferred Tax Asset	(15)	40.890	-	40.890
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held for Sale Purpose		-	-	-
18.2 Related to Discontinued Operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>89.293</b>	<b>210.650</b>	<b>299.943</b>
<b>TOTAL ASSETS</b>		<b>9.068.248</b>	<b>20.849.388</b>	<b>29.917.636</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

LIABILITIES	Section 5 Note II	Audited Current Period 31 December 2018		
		TL	FC	Total
I. DEPOSITS	(1)	-	-	-
II. FUNDS BORROWED	(3)	127.007	23.692.663	23.819.670
III. MONEY MARKET BALANCES		264.820	137.458	402.278
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	6.949.189	6.949.189
4.1 Bills		-	-	-
4.2 Assets Backed Securities		-	-	-
4.3 Bonds		-	6.949.189	6.949.189
V. BORROWER FUNDS		2.408	30.121	32.529
5.1 Borrower Funds		2.408	30.121	32.529
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		442.290	350.050	792.340
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		442.290	350.050	792.340
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(5)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(7)	250.984	10.292	261.276
10.1 Restructuring Provisions		-	-	-
10.2 Reverse for Employee Benefits		15.054	-	15.054
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		235.930	10.292	246.222
XI. CURRENT TAX LIABILITY	(8)	94.104	-	94.104
XII. DEFERRED TAX LIABILITY	(8)	-	-	-
LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(10)	-	1.549.774	1.549.774
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	1.549.774	1.549.774
XV. OTHER LIABILITIES		137.603	46.601	184.204
XVI. SHAREHOLDERS' EQUITY		4.253.510	(69.434)	4.184.076
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000
16.2 Capital Reserves		890	-	890
16.2.1 Share Premium		516	-	516
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		278.614	5.756	284.370
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(11)	(64.373)	(75.190)	(139.563)
16.5 Profit Reserves		529.059	-	529.059
16.5.1 Legal Reserves		272.773	-	272.773
16.5.2 Status Reserves		75.641	-	75.641
16.5.3 Extraordinary Reserves		177.725	-	177.725
16.5.4 Other Profit Reserves		2.920	-	2.920
16.6 Profit Or Loss		670.698	-	670.698
16.6.1 Prior Years' Profit/Loss		(58)	-	(58)
16.6.2 Current Year Profit/Loss		670.756	-	670.756
16.7 Non-Controlling Interests		38.622	-	38.622
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.572.726</b>	<b>32.696.714</b>	<b>38.269.440</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018

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

LIABILITIES	Section 5 Note II	Audited Prior Period 31 December 2017		
		TL	FC	Total
I. DEPOSITS	(1)	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-
1.2 Other		-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		123.710	108.693	232.403
III. FUNDS BORROWED	(3)	221.012	18.780.615	19.001.627
IV. MONEY MARKETS BALANCES		1.150.784	161.138	1.311.922
4.1 Interbank Money Market Takings		202.143	-	202.143
4.2 Istanbul Stock Exchange Money Market Takings		499.004	-	499.004
4.3 Funds Provided Under Repurchase Agreements		449.637	161.138	610.775
V. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.746.229	3.746.229
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	3.746.229	3.746.229
VI. BORROWER FUNDS		1.178	11.723	12.901
6.1 Borrower Funds		1.178	11.723	12.901
6.2 Other		-	-	-
VII. MISCELLANEOUS PAYABLES		15.134	59.961	75.095
VIII. OTHER LIABILITIES		113.609	2.318	115.927
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)	(5)	-	-	-
10.1 Financial Lease Payables		-	-	-
10.2 Operating Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES		-	78.682	78.682
11.1 Fair Value Hedge		-	78.682	78.682
11.2 Cash Flow Hedge		-	-	-
11.3 Hedge of net Investment in Foreign Operations		-	-	-
XII. PROVISIONS	(7)	431.625	-	431.625
12.1 General Loan Loss Provisions		136.131	-	136.131
12.2 Restructuring Provisions		-	-	-
12.3 Reserve for Employee Benefits		12.151	-	12.151
12.4 Insurance Technical Reserves (Net)		-	-	-
12.5 Other Provisions	(8)	283.343	-	283.343
XIII. TAX LIABILITY		53.648	-	53.648
13.1 Current Tax Liability		53.648	-	53.648
13.2 Deferred Tax Liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
14.1 Held for Sale		-	-	-
14.2 Discontinued Operations		-	-	-
XV. SUBORDINATED LOANS	(10)	-	1.146.236	1,146.236
XVI. SHAREHOLDERS' EQUITY		3,698.901	12.440	3,711.341
16.1 Paid-in Capital	(11)	2,400.000	-	2,400.000
16.2 Capital Reserves		175.046	12.440	187.486
16.2.1 Share Premium		428	-	428
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Value Increase Fund	(11)	(41.078)	12.440	(28.638)
16.2.4 Tangible Assets Revaluation Differences		215.352	-	215.352
16.2.5 Intangible Assets Revaluation Differences		-	-	-
16.2.6 Investment Property Revaluation Differences		-	-	-
16.2.7 Bonus Shares obtained from Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)		-	-	-
16.2.8 Hedging Reserves (Effective Portion)		-	-	-
16.2.9 Accumulated Valuation Differences From Assets Held For Sale And From Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		344	-	344
16.3 Profit Reserves		441.740	-	441.740
16.3.1 Legal Reserves		241.292	-	241.292
16.3.2 Statutory Reserves		75.641	-	75.641
16.3.3 Extraordinary Reserves		121.888	-	121.888
16.3.4 Other Profit Reserves		2.919	-	2.919
16.4 Profit Or Loss		629.396	-	629.396
16.4.1 Prior Years' Profit/Loss		18.219	-	18.219
16.4.2 Current Year Profit/Loss		611.177	-	611.177
16.5 Non-Controlling Interests		52.719	-	52.719
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.809.601</b>	<b>24.108.035</b>	<b>29.917.636</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2018**

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

OFF-BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2018			Audited Prior Period 31 December 2017		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		10.490.917	55.046.934	65.537.851	8.544.955	40.594.900	49.139.855
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	487.945	2.685.862	3.173.807	562.998	2.010.713	2.573.711
1.1 Letters of Guarantee		487.945	1.095.048	1.582.993	562.998	912.647	1.475.645
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		487.945	1.095.048	1.582.993	562.998	912.647	1.475.645
1.2 Bank Acceptances		-	-	-	-	18.763	18.763
1.2.1 Import Letter of Acceptance		-	-	-	-	18.763	18.763
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	1.590.814	1.590.814	-	1.079.303	1.079.303
1.3.1 Documentary Letters of Credit		-	1.590.814	1.590.814	-	1.079.303	1.079.303
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	1.204.053	2.621.343	3.825.396	2.302.694	3.908.771	6.211.465
2.1 Irrevocable Commitments		967.278	358.418	1.325.696	1.896.825	327.095	2.223.920
2.1.1 Forward Asset Purchase and Sale Commitments		29.356	67.684	97.040	40.933	58.218	99.151
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		400	97.405	97.805	-	78.890	78.890
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		937.522	193.329	1.130.851	1.855.892	189.987	2.045.879
2.2 Revocable Commitments		236.775	2.262.925	2.499.700	405.869	3.581.676	3.987.545
2.2.1 Revocable Loan Granting Commitments		236.775	2.262.925	2.499.700	405.869	3.581.676	3.987.545
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	8.798.919	49.739.729	58.538.648	5.679.263	34.675.416	40.354.679
3.1 Derivative Financial Instruments for Hedging Purposes		-	18.028.129	18.028.129	-	10.582.050	10.582.050
3.1.1 Fair Value Hedge		-	18.028.129	18.028.129	-	10.582.050	10.582.050
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		8.798.919	31.711.600	40.510.519	5.679.263	24.093.366	29.772.629
3.2.1 Forward Foreign Currency Buy/Sell Transactions		1.819.934	1.981.015	3.800.949	981.505	3.844.600	4.826.105
3.2.1.1 Forward Foreign Currency Transactions-Buy		974.149	964.311	1.938.460	485.006	1.928.162	2.413.168
3.2.1.2 Forward Foreign Currency Transactions-Sell		845.785	1.016.704	1.862.489	496.499	1.916.438	2.412.937
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		4.415.005	27.012.656	31.427.661	2.378.082	17.843.640	20.221.722
3.2.2.1 Foreign Currency Swap-Buy		982.222	6.479.239	7.461.461	576.866	2.996.840	3.573.706
3.2.2.2 Foreign Currency Swap-Sell		3.432.783	3.821.411	7.254.194	1.766.440	1.667.336	3.433.776
3.2.2.3 Interest Rate Swap-Buy		-	8.356.003	8.356.003	17.388	6.589.732	6.607.120
3.2.2.4 Interest Rate Swap-Sell		-	8.356.003	8.356.003	17.388	6.589.732	6.607.120
3.2.3 Foreign Currency, Interest Rate, and Securities Options		2.563.980	2.704.528	5.268.508	2.319.676	2.332.296	4.651.972
3.2.3.1 Foreign Currency Options-Buy		1.281.990	1.352.264	2.634.254	1.159.838	1.166.148	2.325.986
3.2.3.2 Foreign Currency Options-Sell		1.281.990	1.352.264	2.634.254	1.159.838	1.166.148	2.325.986
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	13.401	13.401	-	72.830	72.830
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		70.908.800	361.697.865	432.606.665	60.080.879	240.634.947	300.715.826
<b>IV. ITEMS HELD IN CUSTODY</b>		1.476.393	268.838	1.745.231	1.611.893	276.526	1.888.419
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		1.425.034	268.019	1.693.053	1.307.737	276.526	1.584.263
4.3 Checks Received for Collection		130	-	130	-	-	-
4.4 Commercial Notes Received for Collection		-	819	819	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		51.229	-	51.229	304.156	-	304.156
<b>V. PLEDGES ITEMS</b>		50.395.754	208.822.385	259.218.139	44.623.191	137.020.793	181.643.984
5.1 Marketable Securities		484.248	12.637.631	13.121.879	448.045	8.985.543	9.433.588
5.2 Guarantee Notes		72.835	3.180.176	3.253.011	108.486	2.362.047	2.470.533
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.232.731	56.825.467	60.058.198	1.662.868	36.518.097	38.180.965
5.6 Other Pledged Items		46.605.940	136.179.111	182.785.051	42.403.792	89.155.106	131.558.898
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		19.036.653	152.606.642	171.643.295	13.845.795	103.337.628	117.183.423
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		81.399.717	416.744.799	498.144.516	68.625.834	281.229.847	349.855.681

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2018**

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

INCOME AND EXPENSE ITEMS	Section 5 Note IV	Audited Current Period 1 January 2018-
		31 December 2018
<b>I. INTEREST INCOME</b>	(1)	3.110.109
1.1 Interest on Loans		2.133.352
1.2 Interest Received from Reserve Deposits		10.258
1.3 Interest Received from Banks		78.878
1.4 Interest Received from Money Market Placements		107.098
1.5 Interest Received from Marketable Securities Portfolio		762.490
1.5.1 Fair Value Through Profit or Loss		1.514
1.5.2 Fair Value Through other Comprehensive Income		358.776
1.5.3 Measured at Amortized Cost		402.200
1.6 Finance Lease Income		6.060
1.7 Other Interest Income		11.973
<b>II. INTEREST EXPENSES (-)</b>	(2)	1.381.391
2.1 Interest on Deposits		-
2.2 Interest on Funds Borrowed		581.108
2.3 Interest on Money Market Borrowings		307.521
2.4 Interest on Securities Issued		491.351
2.5 Other Interest Expense		1.411
<b>III. NET INTEREST INCOME (I - II)</b>		1.728.718
<b>IV. NET FEES AND COMMISSIONS INCOME / EXPENSES</b>		51.398
4.1 Fees and Commissions Received		63.929
4.1.1 Non-cash Loans		20.932
4.1.2 Other		42.997
4.2 Fees and Commissions Paid (-)		12.531
4.2.1 Non-cash Loans		2.876
4.2.2 Other		9.655
<b>V. PERSONNEL EXPENSES (-)</b>	(7)	133.604
<b>VI. DIVIDEND INCOME</b>	(3)	5.525
<b>VII. NET TRADING INCOME</b>	(4)	(329.200)
7.1 Securities Trading Gains / (Losses)		2.202
7.2 Derivative Financial Instruments Gains / Losses		(616.348)
7.3 Foreign Exchange Gains / Losses (Net)		284.946
<b>VIII. OTHER OPERATING INCOME</b>	(5)	109.093
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		1.431.930
<b>X. EXPECTED CREDIT LOSS (-)</b>	(6)	532.649
<b>XI. OTHER OPERATING EXPENSES (-)</b>	(7)	76.340
<b>XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		822.941
<b>XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-
<b>XIV. PROFIT / (LOSS) ON EQUITY METHOD</b>		90.705
<b>XV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-
<b>XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>		913.646
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	250.383
17.1 Provision for Current Income Taxes		147.709
17.2 Deferred Tax Income Effect (+)	(9)	250.149
17.3 Deferred Tax Expense Effect (-)		147.475
<b>XVIII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)</b>		663.263
<b>XIX. INCOME ON DISCONTINUED OPERATIONS</b>		-
19.1 Income on Assets Held for Sale		-
19.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
19.3 Income on Other Discontinued Operations		-
<b>XX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-
20.1 Loss from Assets Held for Sale		-
20.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
20.3 Loss from Other Discontinued Operations		-
<b>XXI. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)</b>		-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-
22.1 Provision for Current Income Taxes		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
<b>XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>	(10)	663.263
24.1 Group's Profit / Loss		670.756
24.2 Minority Shares (-)		(7.493)
<b>Earning / Loss per share (Full Kuruş)</b>		0,240

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2018

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

11	INCOME AND EXPENSE ITEMS	Section 5 Note IV	Audited Prior Period 1 January 2017- 31 December 2017
I.	INTEREST INCOME	(1)	1.873.822
1.1	Interest on Loans		1.314.800
1.2	Interest on Reserve Requirements		5.617
1.3	Interest on Banks		65.034
1.4	Interest on Money Market Transactions		51.435
1.5	Interest on Marketable Securities Portfolio		432.988
1.5.1	Trading Financial Assets		2.120
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available-for-Sale Financial Assets		240.899
1.5.4	Held-to-Maturity Investments		189.969
1.6	Financial Lease Income		1.659
1.7	Other Interest Income		2.289
II.	INTEREST EXPENSE (-)	(2)	856.543
2.1	Interest on Deposits		-
2.2	Interest on Funds Borrowed		339.360
2.3	Interest Expense on Money Market Transactions		253.328
2.4	Interest on Securities Issued		262.943
2.5	Other Interest Expenses		912
III.	NET INTEREST INCOME (I - II)		1.017.279
IV.	NET FEES AND COMMISSIONS INCOME		42.662
4.1	Fees and Commissions Received		53.752
4.1.1	Non-Cash Loans		15.625
4.1.2	Other	(11)	38.127
4.2	Fees and Commissions Paid (-)		11.090
4.2.1	Non-Cash Loans (-)		2.400
4.2.2	Other (-)		8.690
V.	DIVIDEND INCOME	(3)	5.421
VI.	TRADING INCOME / (LOSS) (Net)	(4)	(65.028)
6.1	Trading Gains / (Losses) on Securities		5.851
6.2	Gains / (Losses) on Derivative Financial Transactions		(209.793)
6.3	Foreign Exchange Gains / (Losses)		138.914
VII.	OTHER OPERATING INCOME	(5)	68.409
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.068.743
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	202.826
X.	OTHER OPERATING EXPENSES (-)	(7)	170.186
XI.	NET OPERATING INCOME / (LOSS) (VIII-IX-X)		695.731
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		43.861
XIV.	INCOME / (LOSS) ON NET MONETARY POSITION		-
XV.	PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	739.592
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(134.117)
16.1	Current Tax Provision		(161.659)
16.2	Deferred Tax Provision		27.542
XVII.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XV±XVI)	(10)	605.475
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-
18.1	Income from Non-Current Assets Held for Sale		-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
18.3	Income from Other Discontinued Operations		-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1	Expenses for Non-Current Assets Held for Sale		-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Expenses for Other Discontinued Operations		-
XX.	PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
21.1	Current Tax Provision		-
21.2	Deferred Tax Provision		-
XXII.	CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII.	NET INCOME / LOSS (XVII+XXII)	(10)	605.475
23.1	Group's Profit / Loss		611.177
23.2	Minority Shares (-)		(5.702)
	Earning / Loss per share (Full Kurş)		0,255

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED

31 DECEMBER 2018

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

	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Current Period 1 January 2018 – 31 December 2018
I.	CURRENT PERIOD INCOME / LOSS	663.263
II.	OTHER COMPREHENSIVE INCOME	(64.978)
2.1	Not Reclassified Through Profit or Loss	52.250
2.1.1	Property and Equipment Revaluation Increase / Decrease	47.172
2.1.2	Intangible Assets Revaluation Increase / Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain / Loss	(684)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	7.639
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.877)
2.2	Reclassified Through Profit or Loss	(117.228)
2.2.1	Foreign Currency Translation Differences	7.857
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(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	(2.431)
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	34.393
III.	TOTAL COMPREHENSIVE INCOME (I+II)	598.285
	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME UNDER SHAREHOLDERS' EQUITY	Audited Prior Period 1 January 2017 – 31 December 2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	32.813
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	16.315
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCY	3.604
V.	GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)	-
VI.	GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS OF ERRORS	-
VIII.	OTHER PROFIT / LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	7.264
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(4.834)
X.	NET PROFIT / LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	55.162
XI.	CURRENT YEAR PROFIT / LOSS	605.475
11.1	Net Change in Fair Value of Marketable Securities (Recycled to Profit/Loss)	(305)
11.2	Reclassification and Recycling Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	-
11.3	Recycling Hedge of Net Investments in Foreign Operations to Income Statement	-
11.4	Other	605.780
XII.	TOTAL PROFIT / LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	660.637

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

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

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Valuation Differences	Tangible and Intangible Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Transactions	Val. Chan. and Eq. HFS Purp./ Disc. Opr.	In Prop.	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
<b>Prior Period – 31 December 2017</b>																				
I.	Opening Balance	2.050.000	624	428	-	216.361	75.641	113.175	2.919	-	494.664	(69.896)	201.168	-	-	-	-	3.085.084	57.969	3.143.053
<b>Changes in the Period</b>																				
II.	Increase/Decrease Due to Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Value Increase Fund	-	-	-	-	-	-	-	-	-	-	37.654	-	-	-	-	-	37.654	446	38.100
IV.	Hedging (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of Investment in Foreign Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	14.184	-	-	-	-	14.184	-	14.184
VI.	Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	3.604	-	-	-	-	-	3.604	-	3.604
IX.	Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of changes in Equity of Investments in Associates on Bank's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-	-
12.1	Cash Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources	350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-	-
XIII.	Share Issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Effect of Inflation on Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	(280)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(280)	6	(274)
XVII.	Period Net Income	-	-	-	-	-	-	-	-	611.177	-	-	-	-	-	-	-	611.177	(5.702)	605.475
XVIII.	Profit Distribution	-	-	-	-	24.931	-	8.713	-	-	(126.445)	-	-	-	-	-	-	(92.801)	-	(92.801)
18.1	Dividend Distributed	-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	-	(92.801)	-	(92.801)
18.2	Transfers to Reserves	-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance	2.400.000	344	428	-	241.292	75.641	121.888	2.919	611.177	18.219	(28.638)	215.352	-	-	-	-	3.658.622	52.719	3.711.341

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 Shareholders' Equity		
						1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)		Total Equity Except from Minority Interest	Minority Interest
<b>Current Period – 31 December 2018</b>																	
I. Prior Period End Balance		2.400.000	428	-	374	215.352	(30)	16.798	7.847	(39.404)	(13.879)	441.740	629.396	-	3.658.622	52.719	3.711.341
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	23.101	-	(37.176)	-	(14.075)	(87)	(14.162)
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	23.101	-	(37.176)	-	(14.075)	(87)	(14.162)
III. Adjusted Beginning Balance (I+II)		2.400.000	428	-	374	215.352	(30)	16.798	7.847	(39.404)	9.222	441.740	592.220	-	3.644.547	52.632	3.697.179
IV. Total Comprehensive Income		-	-	-	-	46.142	(536)	6.644	7.857	(122.654)	(2.431)	-	-	670.756	605.778	(7.493)	598.285
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		400.000	-	-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-
VII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	88	-	-	-	-	-	-	-	-	851	3.695	-	4.634	(6.517)	(1.883)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	86.468	(195.973)	-	(109.505)	-	(109.505)
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.468	(86.108)	-	360	-	360
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance		2.800.000	516	-	374	261.494	(566)	23.442	15.704	(162.058)	6.791	529.059	(58)	670.756	4.145.454	38.622	4.184.076

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 Transition 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).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Note	Audited Current Period 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1		1.679.473
1.1.1		2.537.294
1.1.2		(1.342.871)
1.1.3		5.525
1.1.4		63.929
1.1.5		78.663
1.1.6	(1)	9.100
1.1.7		(155.153)
1.1.8		(104.310)
1.1.9	(1)	587.296
1.2		(1.723.950)
1.2.1		(1.541)
1.2.2		-
1.2.3		1.204.032
1.2.4	(1)	(392.290)
1.2.5		-
1.2.6		-
1.2.7		-
1.2.8		(1.621.868)
1.2.9		-
1.2.10	(1)	(912.283)
I.		(44.477)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
II.		(328.661)
2.1	(2)	(3.000)
2.2	(3)	-
2.3	(2)	(4.924)
2.4	(3)	94
2.5		(680.955)
2.6		590.195
2.7		(227.528)
2.8		-
2.9	(2)	(2.543)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
III.		1.208.745
3.1		1.318.590
3.2		-
3.3		-
3.4		(109.865)
3.5		-
3.6		20
IV.	(1)	45.970
V.		881.577
VI.	(4)	504.248
VII.	(4)	1.385.825

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Note	Audited Prior Period 31 December 2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1		842.031
1.1.1		1.578.190
1.1.2		(846.414)
1.1.3		5.421
1.1.4		53.752
1.1.5		99.565
1.1.6		4.477
1.1.7		(122.637)
1.1.8		(122.638)
1.1.9	(1)	192.315
1.2		(2.318.417)
1.2.1		4.853
1.2.2		-
1.2.3		-
1.2.4		(2.839.528)
1.2.5		(154.658)
1.2.6		-
1.2.7		-
1.2.8		639.937
1.2.9		-
1.2.10	(1)	30.979
I.		(1.476.386)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
II.		79.838
2.1	(2)	-
2.2	(3)	-
2.3	(2)	(4.736)
2.4	(3)	329
2.5		(781.787)
2.6		867.314
2.7		-
2.8		-
2.9	(2)	(1.282)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
III.		984.199
3.1		1.077.000
3.2		-
3.3		-
3.4		(92.801)
3.5		-
3.6		-
IV.	(1)	751
V.		(411.598)
VI.	(4)	915.846
VII.	(4)	504.248

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Audited Current Period 31 December 2018 <sup>(1)</sup>	Audited Prior Period 31 December 2017
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME <sup>(2)</sup></b>		
1.1	909.263	727.303
1.2	248.337	131.635
1.2.1	146.335	161.659
1.2.2	-	-
1.2.3	102.002	(30.024)
<b>A.</b>	<b>660.926</b>	<b>595.668</b>
1.3	-	-
1.4	-	29.783
1.5	-	-
<b>B.</b>	<b>660.926</b>	<b>565.885</b>
1.6	-	169.820
1.6.1	-	169.818
1.6.2	-	-
1.6.3	-	2
1.6.4	-	-
1.6.5	-	-
1.7	-	11.882
1.8	-	1.981
1.9	-	326.182
1.9.1	-	326.182
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	1.387
1.11	-	-
1.12	-	54.633
1.13	-	-
1.14	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
<b>III. EARNINGS PER SHARE <sup>(3)</sup></b>		
3.1	0,24	0,25
3.2	23,60	24,82
3.3	-	-
3.4	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	-	0,21
4.2	-	20,67
4.3	-	-
4.4	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2018 yet, only profit available for distribution for the year 2018 is presented.

<sup>(2)</sup> According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements.

<sup>(3)</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>(4)</sup> The current amount is deferred tax expense and the prior amount is deferred tax income.

## GRI STANDARDS INDEX

# GRI STANDARDS INDEX - CORE

“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.”



TSKB - GRI STANDARDS - CORE				
GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS	
<b>GRI 101: FOUNDATION 2016</b>				
<b>GENERAL DISCLOSURES</b>				
<b>ORGANIZATIONAL PROFILE</b>				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-1	Türkiye Sınal Kalkınma Bankası A.Ş.		
	102-2	Page: 6		
	102-3	<b>HEADQUARTERS</b> Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul		
	102-4	Turkey		
	102-5	Page: 4		
	102-6	Page: 4		
	102-7	Page: 4, 7		
	102-8	Page: 84-89		
	102-9	Page: 4 <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: 120-122		
	102-12	Page: 62-63		
	102-13	Page: 62-63		
	<b>STRATEGY</b>			
	102-14	Page: 24-25 / Chairman's Message Page: 26-29 / CEO's Assessment Page: 77		
<b>ETHICS AND INTEGRITY</b>				
102-16	Page: 5			
<b>GOVERNANCE</b>				
102-18	Page: 110-116			
102-19	Page: 74-75			
102-20	Page: 74-75			
102-22	Page: 115-116 <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.			
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>			
<b>STAKEHOLDER ENGAGEMENT</b>				
102-40	Page: 32-33			
102-41	There is no collective bargaining application in TSKB.			
102-42	Page: 34-35			
102-43	Page: 34-35			
102-44	Page: 36-37			
<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: 36-37			
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	01.01.2018-31.12.2018			
102-51	2017			
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: will be given when added to the report.			
102-56	Page: 1, 128-133			

## GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS	
<b>GRI 200: ECONOMIC STANDARD SERIES</b>				
<b>ECONOMIC PERFORMANCE</b>				
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 36-37		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		
	<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	Page: 38-39, 42-57	
		201-2	Page: 43-45	
	201-3	<a href="http://www.tskb.com.tr/i/content/3483_1_TSKB%20SOLO%20EN%2031.12.2018.pdf">http://www.tskb.com.tr/i/content/3483_1_TSKB%20SOLO%20EN%2031.12.2018.pdf</a> Please see pages 35-36 of the above mentioned PDF.		
	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: 84-89		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		
<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: 38-41		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	203-1	Page: 24-25, 26-29		
	203-2	Page: 40-41		
<b>PROCUREMENT PRACTICES</b>				
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	<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>		
	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	<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>		
	103-2	<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>		

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS	
<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: 120-122		
	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	<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>		
	103-2	<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: 36-37		
	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		
<b>WATER</b>				
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 36-37		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		
<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: 36-37		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		
	<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: 36-37		
	103-2	Page: 24-25, 26-29		
	103-3	Page: 24-25, 26-29		

## GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS
GRI 306: EFFLUENTS AND WASTE 2016	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>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 36-37	
	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>	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There are no significant fines or sanctions in the reporting period.	
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 36-37	
	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>	<ul style="list-style-type: none"> <li>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.</li> </ul>
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	Although the suppliers are expected to pay attention to their environmental impact, there are no suppliers that were screened using environmental criteria.	
<b>GRI 400: SOCIAL STANDARD SERIES</b>			
<b>EMPLOYMENT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	103-2	Page: 84-89	
	103-3	Page: 84-89	
GRI 401: EMPLOYMENT 2016	401-1	Total number of new employees hired in 2018 is 31. Page: 84	
	401-2	All TSKB employees are working on full-time basis.	

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS
<b>LABOR/MANAGEMENT RELATIONS</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	103-2	Page: 84-89	
	103-3	Page: 84-89	
GRI 402: LABOR/MANAGEMENT RELATIONS 2016	402-1	TSKB is fully compliant with current laws and regulations about this subject in Turkey.	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	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>	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	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>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	103-2	Page: 84-89	
	103-3	Page: 84-89	
GRI 404: TRAINING AND EDUCATION 2016	404-1	Page: 86-87, 97-98	
404-2	Page: 86-87, 97-98		
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	103-2	Page: 84-89	
	103-3	Page: 84-89	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Page: 88-89, 104-109, 113	
	405-2	There is no gender-based wage discrimination in TSKB.	
<b>NON-DISCRIMINATION</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	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	Page: 84-89	
GRI 406: NON-DISCRIMINATION 2016	406-1	There are no incidents of discrimination during the reporting period.	
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 84-89	
	103-2	Page: 84-89	
	103-3	Page: 84-89	
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	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>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	<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>	
	103-2	<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>	

GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE	OMISSIONS
GRI 408: CHILD LABOR 2016	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>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	<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>	
	103-2	<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>	
GRI 409: FORCED OR COMPULSORY LABOR 2016	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.	
<b>HUMAN RIGHTS ASSESSMENT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	<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>	
	103-2	<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>	
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-1	None.	
<b>CUSTOMER PRIVACY</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	<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>	
	103-2	<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>	
GRI 418: CUSTOMER PRIVACY 2016	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>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 76	
	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>	
FINANCIAL SECTOR SUPPLEMENT	FS6	Page: 42-43, 48-49	
	FS7	Page: 42-43, 48-49	
	FS8	Page: 42-43, 48-49, 70-72, 76	
<b>ACTIVE OWNERSHIP</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 32-37	
	103-2	Page: 74-77	
FINANCIAL SECTOR SUPPLEMENT	FS10	Page: 32-37, 48-49	
	FS11	Page: 32-37, 48-49	

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