

# 2020 INTEGRATED

ANNUAL REPORT

For a sustainable world  
LET'S ACT TOGETHER



## ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 25.03.2021

- 1- Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly,
2. Review and discussion of the Annual Reports of the Board of Directors and Independent Auditor Reports regarding the accounts and transactions of the Bank within the year of 2020,
3. Review, discussion and approval of the balance sheet and profit and loss statements of the Bank for the year of 2020,
4. Approval of the appointment of the members of the Board of Directors substituting the members leaving their post until the date of the General Assembly,
5. Release of the Members of the Board of Directors,

6. Approval of the Board Resolution regarding the determination and allocation of the profit generated in 2020,
7. Election of members and independent members of the Board of Directors,
8. Determination of allowance for the Members of the Board of Directors,
9. Election of the Independent Audit Firm,
10. 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 2021,
11. Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
12. Presenting information regarding the transactions within the scope of Article 1.3.6. of the Corporate Governance Principles of the Capital Markets Board.

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To access the PDF copy of the TSKB 2020 Integrated Annual Report, scan the QR code in your browser.

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

# ABOUT THE REPORT

## QUALIFICATION, PERIOD AND SCOPE OF THE REPORT

TSKB shares its 2020 performance with Integrated Annual Report including its January 1 – December 31, 2020 Annual Report of the Board of Directors. The report is issued on a bank-only basis and excludes the operations of TSKB subsidiaries. The Bank does not deliver any operations abroad. The report only reflects the operations in Turkey.

## CAPITAL CLASSIFICATION APPROACH

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

## CONTENT OF THE REPORT

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

## PUBLICATION FORMAT OF THE REPORT

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

## LEGISLATION AND COMPLIANCE TO THE REGULATORY FRAMEWORK

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

Performance disclosures are presented mainly in the context of "GRI Standards" indicators, while progress reporting principles of United Nations Global Compact

which TSKB committed in 2010, Sustainability Accounting Standards Board ('SASB') and Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations are taken into consideration.

2020 Integrated Annual Report of TSKB, which is listed on Borsa Istanbul, is in compliance with the minimum annual reporting requirements of Banking Regulation Surveillance Association (BRSA) and Capital Markets Board (CMB) legal frameworks.

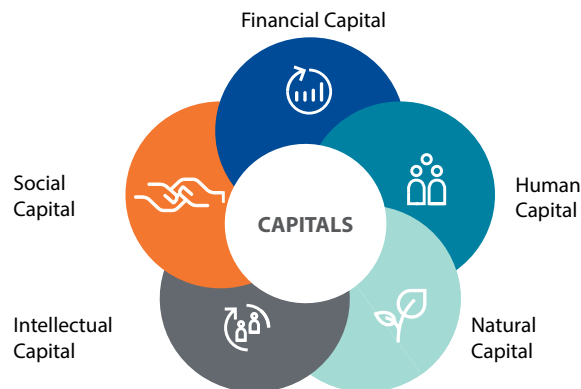
## AUDIT





TSKB 2020 Integrated Annual Report and independent audit reports were subject to assurance audit by Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young, EY). It was also subject to limited assurance audit by PwC in terms of non-financial information. Furthermore, TSKB takes audit from BSI under ISO14001 certification for a Sustainable Management System and under ISO 14064 certification regarding the calculation and verification of greenhouse gas emissions from operations.

## STATEMENT OF RESPONSIBILITY

According to the statement of TSKB's Senior Management, this Integrated Annual Report; analyzes all subjects and developments in terms of TSKB's ability to create value for its stakeholders, presents integrated performance for the period January 1 – December 31, 2020 and future targets. The Statement of Responsibility is included in the Annexes section of the report. □

## NAVIGATION ICONS



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

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

**Your comments are invaluable.**

We would like to continue disclosing transparent and reliable information for our stakeholders. Please do not hesitate to share your ideas regarding our report on how we can further improve our disclosure, via [info@tskb.com.tr](mailto:info@tskb.com.tr).



# 1

## TSKB AT A GLANCE

- 4 Corporate Profile
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## Climate Review

Global greenhouse gas emissions plunged by roughly 2.4 billion tons this year, a 7% drop from 2019 and the largest decline on record, triggered by worldwide Covid-19 restrictions, according to new research from the Global Carbon Project and the universities. The World Bank Group announced a target for 35% of its financing to have climate co-benefits, on average, over the next five years.

For more details:

[https://www.tskb.com.tr/i/assets/document/pdf/ID\\_ENG\\_01\\_2021.pdf](https://www.tskb.com.tr/i/assets/document/pdf/ID_ENG_01_2021.pdf)



**GREEN SWAN  
PLATFORM**  
A TSKB INITIATIVE



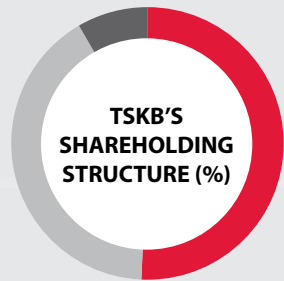
## CORPORATE PROFILE

TL **51.5** billion  
Total Assets

### TSKB IN NUMBERS

TL **6.1** billion  
Shareholders' Equity

**567**  
Total Employees  
(TSKB and subsidiaries)



Isbank Group	■ 50,92
Free Float and Other	■ 40,70
Vakifbank	■ 8,38

TSKB stock is traded on BIST Stars under the ticker "TSKB" with a free float ratio of 38.6%. TSKB's registered capital ceiling is TL 4,500 million whereas its paid-in capital is TL 2,800 million as of 2019 year-end.

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

#### 70<sup>th</sup> Year

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

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

#### Strong long-standing partnership

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

the corporates to maintain the sustainable development in Turkey.

#### Wide range of products and services

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

#### Tackle with the threat of climate change

Distinguishing itself in the finance sector with its unique banking model which provides solutions to tackle with the threat of climate change and supports the transition to a low-carbon economy as well as extending sustainability-themed loans, TSKB's support for investments such as renewable energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. TSKB also stands out with its commitment to measure the environmental and social risks of all investment projects regardless of the amount.

# In its 70<sup>th</sup> anniversary, the pioneer of sustainability and inclusiveness, TSKB continued to support Turkish economy, with Corporate Banking, Investment Banking and Advisory Services business lines.

## Sustainability and Inclusiveness

Having undersigned many of the leading good practices in the fields of sustainability and inclusiveness in the Turkish finance sector for the last 20 years, TSKB has been the bank which issued the first green bond in Turkey and its surrounding region. In 2020, the Bank established the “TSKB Green Swan Platform” aimed at taking joint action to tackle the climate emergency, the major obstacle to sustainable and inclusive development. The Platform aims to bring together representatives from both the public and the private sector as well as NGOs, international organizations, academics, students and members of the press under its roof.

## TSKB'S SUBSIDIARIES

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

## One of the building block of capital markets

As Turkey's first and largest investment bank, TSKB has also played a significant role for the development of the capital markets with its operations in this area starting long before the establishment of the CMB and BIST. TSKB guides companies on their growth journeys with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition advisory, and it offers an investment banking experience to its clients at international standards.

## Widespread Impact supported with Advisory Services

With its 70 years of knowledge and expertise, TSKB aims to enhance the added value it offers to the business world and all actors of development by restructuring the sector-specific advisory services it provides to the real sector and public institutions. Given its qualified advisory

teams consisting of financial advisors, engineers and economists; the Bank provides effective solutions in the fields of development, transformation and sustainability to the companies operating in Turkey's locomotive sectors.

## Synergetic cooperation with subsidiaries

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

TSKB's headquarters is located in Istanbul, operating with 344 people as of the end of 2020. The Bank has a branch in Ankara.

Ratings*	TSKB	Turkey
Long-Term Senior Unsecured Debt	B+	BB-
Long Term Issuer Rating	B3	B2
SAHA	9,56/10	

\*Details regarding ratings are included in the audit reports.



## VISION, MISSION, VALUES

### OUR MISSION

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

### OUR VISION

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

### OUR VALUES

#### PIONEERING

We create long-term value for clients, society and the future of our country through a visionary perspective and innovative services.

We keep a close eye on international banking practices and lead our sector as a pioneer with our initiatives.

#### HUMAN-FOCUSED

With a human-oriented approach for a qualified economic growth, we contribute to employment, equal opportunities and social development through inclusive banking solutions.

We make business decisions together based on reasonable common-mind.

We value team success over individual success.

We work in harmony both within the Bank and with the organizations we cooperate.

We never discriminate among our employees.

We protect the rights of employees and ensure they always have equal opportunities.

We contribute to employees' professional and personal development and encourage them to take the initiative.

#### SOLUTION-ORIENTED

We provide flexible, fast and efficient solutions in order to optimally meet our clients' expectations and needs.

We are prudent about the quality of the work we do and resolute in fulfilling commitments.

Knowing that we are the leaders in our job, we take responsibility to act timely and swiftly at each stage without a need for any prior guidance.

#### RELIABLE&RESPECTFUL

We build trustful and respectful relations with all our stakeholders.

We never compromise on a fair, accountable, transparent and ethical banking approach, and the contemporary rules of corporate governance.

We create value for sustainable development through an environment-friendly banking approach, and take responsibility to leave future generations a world to live in.





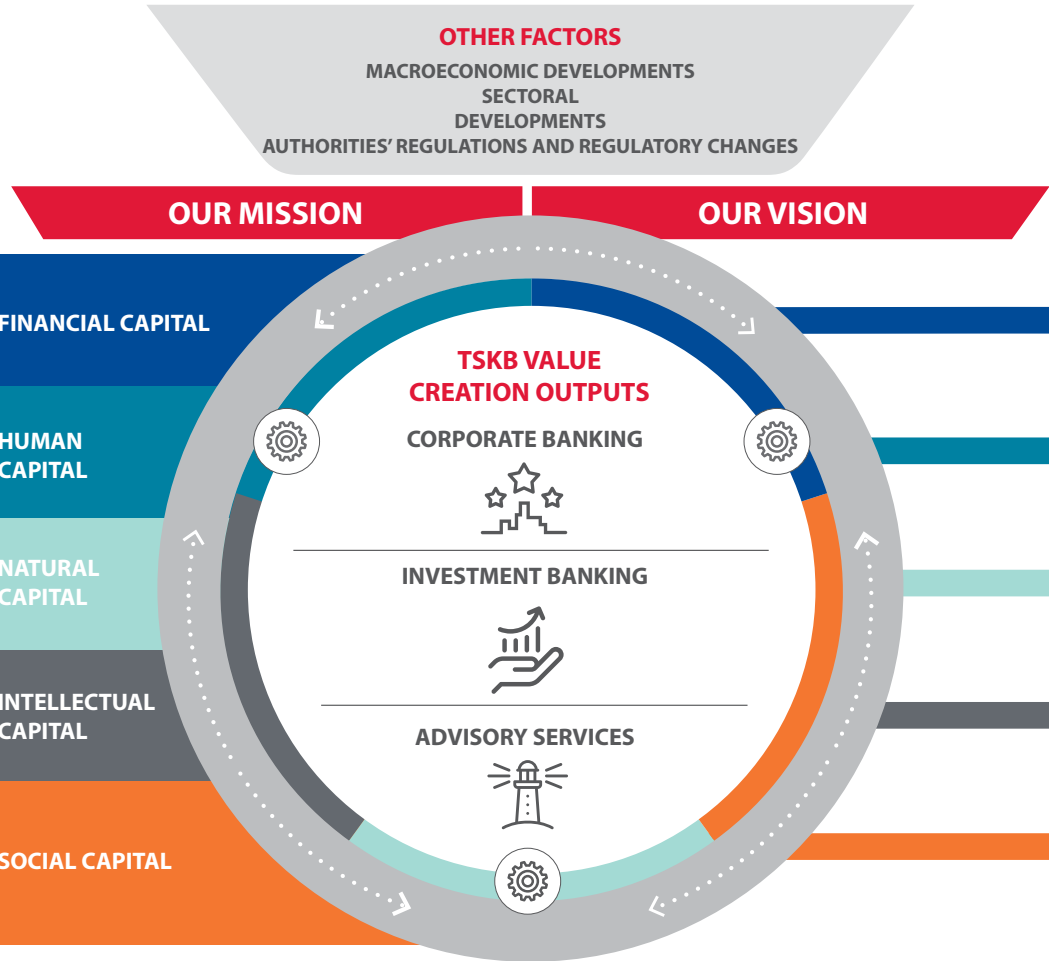


# CAPITALS/VALUE CREATION MODEL

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

## INPUTS

<ul style="list-style-type: none"> <li>Diversity of funds and strong liquidity</li> <li>Medium and long term DFI funding</li> <li>Access to state-guaranteed funds</li> <li>Sustainable operational profitability</li> <li>Strong financial structure</li> </ul>	<p><b>FINANCIAL CAPITAL</b></p>
<ul style="list-style-type: none"> <li>Investing in employees</li> <li>Equal opportunities</li> <li>Social benefits</li> <li>Employee clubs</li> </ul>	<p><b>HUMAN CAPITAL</b></p>
<ul style="list-style-type: none"> <li>Evaluating environmental and social impact in lending processes</li> <li>Well integrated sustainability approach</li> <li>Zero carbon banking</li> <li>Sustainability focus in lending</li> </ul>	<p><b>NATURAL CAPITAL</b></p>
<ul style="list-style-type: none"> <li>Multi-disciplined evaluation and analysis capacity</li> <li>Sectoral expertise</li> <li>Ability to develop themes and products in line with client needs</li> <li>Accumulation of know-how enabling tailor-made advisory services</li> <li>Strong subsidiaries with diverse sectoral expertise</li> </ul>	<p><b>INTELLECTUAL CAPITAL</b></p>
<ul style="list-style-type: none"> <li>Inclusiveness approach integrated into the Bank's mission</li> <li>Well-rooted and effective communication with stakeholders</li> <li>Social responsibility projects</li> <li>Sharing experience in various platforms</li> <li>Support to ventures and innovation</li> </ul>	<p><b>SOCIAL CAPITAL</b></p>



## ARE PROCESSED WITH KNOWLEDGE BANKING

Technical, Financial and Sectoral Experience	Strong Capability	Value Creation in Synergy with Subsidiaries	High-Caliber Human Resources and Expertise
Environmental and Social Evaluation	Effective Risk Management	Strategic Approach	Capability of Effective Capital Allocation

## OUTPUTS/OUTCOMES

### FINANCIAL CAPITAL

Investment and APEX loans: 75% of the loan book  
 16.6% CAR  
 13.6% ROTE  
 4.5% NIM



### HUMAN CAPITAL

Management staff: female 51% ✓  
 Total Staff: female 56% ✓  
 Board of Directors: female 27% ✓  
 Turnover ratio\*: 0%  
 Average training hours per employee: ~60 ✓



### NATURAL CAPITAL

Best ESG Risk Rating in Turkey  
 Contribution to reduction of 13 million tons Co<sub>2</sub> emissions ✓  
 Share of sustainability-themed loans: 74% ✓  
 100% renewable energy usage & zero carbon banking  
 BIST Sustainability Index constituent



### INTELLECTUAL CAPITAL

469 TSKB Economic Research publications ✓  
 Increased advisory and subsidiaries' contribution  
 58 Blog posts ✓  
 Innovative funding products and new themes



### SOCIAL CAPITAL

Increasing support to women employment  
 Scholarship support for 82 female students  
 1,079 additional employment via last 3 years' APEX loans  
 Raising awareness via #Equal Steps, digital platform



\*Turnover ratio among high performance employees

## SUSTAINABLE AND INCLUSIVE DEVELOPMENT

# 7

Sustainable Development Goals mainly supported, through loan activities

# 56%

Ratio of female employees

# 74%

Share of sustainability themed loans

# 469

TSKB Economic Research publications

# More than 1,500

Additional women employment



# TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

TSKB's products and services constitutes its main outputs.



## CORPORATE BANKING

LOAN PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT OF TURKISH ECONOMY

### Corporate Loans

- Industrial Investments
- Energy and Resource Efficiency
- Environmental Investments
- Renewable Energy
- Women's Employment and Equal Opportunity
- Occupational Health and Safety
- Investments in Developing Regions
- R&D and Innovation
- Health and Education Investments
- Working Capital Finance

### Project Finance

- Energy Generation and Distribution
- Hotel, Shopping Mall and Commercial Real Estate
- Logistics
- Transportation/Infrastructure
- Public-Private Partnership Projects
- Mergers & Acquisitions

### Other Loan Products

- SME Finance via Wholesale Banking
- Trade Finance Loans
- Country (ECA) Loans
- Financial Leasing
- Export Finance



## INVESTMENT BANKING

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

### Corporate Finance

- Advisory and Intermediary Services for Equity IPOs
- Intermediary Services for Bond Issues
- Mergers & Acquisitions Advisory

### Money and Capital Markets Advisory Services

- International Sale Transactions
- Block Sale Transactions
- Valuation Advisory
- Liquidity Provision
- Capital Markets Advisory
- Market Making Services
- Market Advisory Services

### Derivatives

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



## ADVISORY SERVICES

PRODUCTS AND SERVICES DRIVEN BY KNOWLEDGE BANKING

### Economic Research

- Macroeconomic Advisory
- Export Strategy Advisory
- Development Banking Advisory

### Financial Advisory Services

- Financial Planning and Strategy
- Feasibility Services
- Restructuring Services
- Valuation Services
- Sectoral Analysis

### Engineering and Technical Advisory Services

- Technical Analysis and Due Diligence
- Feasibility Services
- Industrial Transformation
- Energy and Efficiency Advisory
- Project Based Incentive Reporting

## KEY PERFORMANCE INDICATORS AND RATIOS

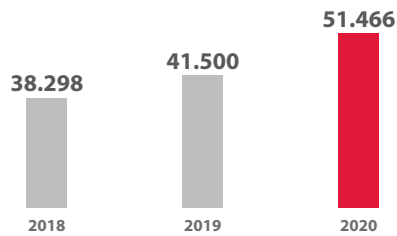
KEY INDICATORS (TL million)	2016	2017	2018	2019*	2020
Total Assets	24,002	28,910	38,298	41,500	51,466
Loan Portfolio	17,371	22,344	28,226	31,415	39,120
Shareholders' Equity	2,928	3,535	4,719	5,167	6,104
Net Profit	476	596	661	776	733

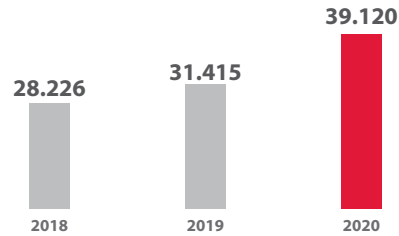
FINANCIAL RATIOS (%)	2016	2017	2018	2019*	2020
Return on Equity	17.6	18.4	17.2	16.6	13.0
Return on Assets	2.1	2.3	2.0	2.0	1.6
Capital Adequacy Ratio**	14.3	17.1	16.2	17.8	16.6

\*TMS 27 adjustment were applied for 2019 financials.  
 \*\*Excluding forbearances

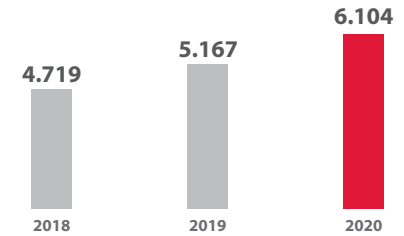
**TOTAL ASSETS (TL million)**



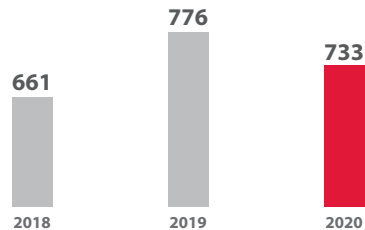
**LOAN PORTFOLIO (TL million)**



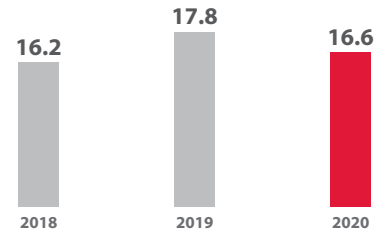
**SHAREHOLDERS' EQUITY (TL million)**



**NET PROFIT (TL million)**



**CAPITAL ADEQUACY RATIO (%)**





## MILESTONES FROM 1950 TO 2020

### 1950's

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

### 1960's

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

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

### 1970's

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

### 1980's

TSKB continued to provide funding to the private sector, though in a more rapid and effective manner. During this period, TSKB embarked on highly important ventures in international relations. For example, it successfully issued a series of "Samurai bonds" in the Japanese capital markets, further bolstering its brand reputation in international markets. Establishing close relationships with European and Japanese financial institutions, TSKB significantly increased its funding resources. TSKB also played an active role in the preparation of Turkey's Privatization Master Plan and served as an advisor for the privatization of the state-owned cement plants.

### 1990's

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



## 2020



Whilst the Covid-19 left its mark on 2020, TSKB focused on protecting its employees and stakeholders from the possible risks of the pandemic. Passing quickly and successfully to the remote working model TSKB has continued to support the Turkish economy. During this challenging period, TSKB arranged first sukuk issuance in food sector. Celebrating Its 70<sup>th</sup> anniversary on June 2, 2020 TSKB gave strong messages and emphasized that it is ready for the next 70 years. 16.7 Environmental, Social and Governance (ESG) Risk Rating of 16.7 places TSKB among best banks globally and first among Turkish banks. A new loan model with a focus on the SDG has been developed. Ms. Ece Börü has been appointed as the first woman CEO In TSKB's 70-year history. TSKB established the "TSKB Green Swan Platform" aimed to take joint action to tackle the climate emergency. TSKB became the first Turkish bank to provide a loan linked to the ESG Risk rating.

## 2000's

TSKB continued working to develop and diversify its international funding resources. During this period, the Bank successfully tapped into international syndication and murabaha markets for the first time. TSKB also began to provide an increasing volume of resources to SMEs through indirect funding in collaboration with commercial banks and leasing companies as part of "APEX Banking" operations. As the concept of sustainability gained prominence globally, TSKB started to design its business processes with a sustainable approach. TSKB became the first Turkish bank to receive ISO 14001 Environmental Management System certification; it also started to offer environment themed loans. During this decade, the Bank laid the groundwork for its social responsibility projects that aimed to raise public awareness about environmental sustainability. For three years in a row, TSKB won first prize for the Eastern Europe Region at the "Sustainable Banking Awards" program, organized jointly by the Financial Times (FT) and the International Finance Corporation (IFC). In addition, TSKB became Turkey's first carbon-neutral bank. TSKB closely followed and monitored sustainability efforts across the globe. Consequently, it became a member of the United Nations Environment Program Finance Initiative (UNEP FI) and publicly announced its commitment to the UN Global Compact.

## 2010's

TSKB began to intensify on sustainable banking in the 2010s. Standing out with renewable energy and energy efficiency projects, TSKB expanded its theme diversity with sustainable tourism, resource efficiency, occupational health and safety and women's empowerment. Along with its membership at Long-Term Investors Club (LTIC), TSKB took its place in European Long-Term Investors Association (ELTI). In 2011, TSKB has been one of the funding members of International Development Finance Club (IDFC) as the only member from Turkey, where in 2019 it has become a steering committee member. TSKB was included in the BIST Sustainability Index, which is composed of companies listed on Borsa Istanbul and perform well in terms of sustainability. 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. Following these issuances, TSKB started publishing Allocation and Impact Reporting as first In Turkey. In 2018, TSKB secures the largest fund ever in its history. The loan agreement worth USD 400 million signed with the International Bank for Reconstruction and Development (IBRD). The Bank defines its advisory solutions as "products of collective wisdom" to offer the business world as well as investors an increasing range of value-added services. TSKB successfully completes 63 advisory projects in more than 20 sectors in 2018. In 2019 TSKB becomes one of the Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI).



## FIRSTS&INNOVATIONS

### 1950's

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

### 1960's

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

### 1970's

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

### 1980's

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

### 1990's

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

### 2000's

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

### 2010's

- UNEP FI and Global Compact membership
- First and only Turkish bank to be granted a membership in Long-Term Investors' Club (LTIC)
- First and only Turkish supervisor member in in European Long-Term Investors Association (ELTI)
- Issue 16 thematic mutual funds between 2009 and 2012
- Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey
- First Turkish Bank to be qualified for ISO14064-1 Greenhouse Gas Verification Certificate
- Restricted mudaraba loan facility with Islamic Development Bank to finance renewable energy and energy efficiency projects
- Become the founder member of International Development Finance Club (IDFC)
- First loan agreement with KfW without any government guarantee
- The first A+ level Sustainability Report approved by GRI (Global Reporting Initiative) in the sector
- 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
- First green/sustainable bond of Turkey
- The world's first "Subordinated Sustainable Bond"
- The first Integrated Report in Turkish private sector
- The first Allocation and Impact Reporting in Turkey
- First financial institution securing loan facility from Asian Infrastructure Investment Bank (AIIB) targeting private sector investments
- "Equal Steps", equal opportunity digital platform that emphasizes the importance of equality between women and men in business life
- Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI)
- First loan to be provided to Turkey by the China Development Bank under the guarantee of the Ministry of Treasury and Finance



## 2020

The first women CEO appointment

Green Swan Platform establishment

SDG Mapping Project for the loan portfolio

Best Environmental, Social and Governance (ESG) Risk Rating in Turkey

The first new loan disbursement with SDG Loan Model

The first club loan linked to ESG risk rating

The world's first Sustainable Lease Certificate



**GREEN SWAN**  
**PLATFORM**  
A TSKB INITIATIVE



## AWARDS&ACHIEVEMENTS

### BANKING AWARDS

Investing&Financing Category Finalist (2019)  
**Finance for the Future**

Energy Finance Deal of the Year (2019)  
**Bonds&Loans Turkey**

M&A/Acquisition Finance - Second place (2019)  
**Bonds&Loans Turkey**

Structured Loan Deal - Third place (2019)  
**Bonds&Loans Turkey**

Low Carbon Hero of the Year (2019)  
**Sustainable Production and Consumption Association (Süt-D)**

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**

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 Kızıldere 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**



## 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**

## SUSTAINABILITY AWARDS

Sustainability Leaders 50 List - 4<sup>th</sup> place (2020)  
**Fast Company Magazine**

Asia's Top Sustainability International Superwomen (2020)  
**CSR Works International**

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

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

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**





## THE CHAIRMAN'S MESSAGE

Dear stakeholders,

### **2020 will go down in history as the year of the Covid-19 pandemic.**

The fight against the pandemic became the most important agenda item for all countries on a global scale in 2020. Although the degree of success achieved in tackling the virus has varied between different regions, it is clear that most countries moved in the same direction on the economic front.

Central banks and regulatory authorities focused on achieving a rapid revival of economic activity. Expansionary policies and asset purchase programs have become a prominent action plan to stimulate recoveries in the production and service cycle, which has been interrupted by social distancing and restrictions.

The United States, EU, China, the United Kingdom and a number of developed and developing countries mobilized economic rescue and stimulus packages which were on a scale unprecedented in our recent history, and which have comprehensively supported households and companies. Interest rates plunged during this process. In its January 2021 report, the IMF estimated that the world economy contracted by 3.5% in 2020.

Although we leave the year 2020 behind us, the pandemic still remains as an important fact in our lives. The way of doing business, the way we continue our daily lives, production and supply chains, global trade and commodity prices have all been affected by the pandemic, which has taken us to the new normal.

### **Turkey was one of the few countries to close the year with positive growth.**

In these unprecedented conditions of 2020, Turkey focused primarily on public health with its proactive and attentive management approach and put in place the necessary restrictions since March.

Interest rate cuts and expansionary monetary policies applied elsewhere in the world were also implemented in our country. Affected sectors and households were supported with asset acquisitions, liquidity support and loan programs.

The low interest rate environment in the first half of the year precipitated an increase in inflation. From the second half of the year, the authorities managing the economy returned to a policy focused on price stability. This shift in emphasis turned the priority back to maintaining fiscal discipline and ensuring Turkey's sustainable growth.

In our opinion, Turkey's economy, which returned to a path of positive growth in the third quarter of 2020, will undergo a recovery on the back of the developments depending on the vaccination process in 2021.

### **We would like to express our gratitude to our health workers.**

When we look at the success achieved in the health field in 2020, it is clear that the timely measures which were taken and decisively implemented played a major role in Turkey taking its place among the countries to have managed the pandemic process well and emerge from 2020 with relatively little damage.

The success achieved is down to the extraordinary efforts of the health workers. The Ministry of Health of the Republic of Turkey and all the members of our health system, spread throughout the country, who have worked so diligently since the first cases of the virus were detected. At the same time, the thorough implementation of the test and trace schemes played a major role in managing the number of cases and leading to the relatively low number of patients to be affected by the disease.

On behalf of myself and the Board of Directors of TSKB, I would like to express our gratitude, blessing and thanks to the health workers, for their superhuman efforts and devoted work during the pandemic.

### **As celebrating our 70<sup>th</sup> anniversary, we remain dynamic and focused on the future**

Our journey, which began in 1950, has witnessed great changes in the world and in our country. TSKB entered the 21<sup>st</sup> century as a key player in every stage of Turkey's integration with the world economy. It has taken on the mission of contributing to the development of the country and the well-being of its stakeholders by undertaking numerous pioneering activities.

With the focus on sustainable banking which the Bank has adopted in the last three decades, TSKB has positioned itself at a point which is exactly in line with the realities of the world and the country. Focusing on sustainability is not a new phenomenon for TSKB; even before the term was widely used, the Bank had progressed with its practices centred on the environment, the economy, development, prosperity, employment and most importantly on people since its establishment and has built up valuable know-how in this area.

As we entered the 21<sup>st</sup> century, our past was instrumental in both helping us easily internalize the concept of sustainability, which our industry has been recently been getting to know and understand, and in our rapid evolution in terms of organizational competencies.

Today, sustainability is synonymous with the name of TSKB. Our global business relationships, the initiatives we are a party to, the innovations we undertake, the pioneering work we do, the themed and long-term finance packages we provide, the knowledge

**On behalf of myself and the Board of Directors of TSKB, I would like to express our gratitude, blessing and thanks to our health workers for their superhuman efforts and devoted work during the pandemic.**



we share and many other elements are the building blocks which constitute our strength in the field of sustainability and our competitive value proposition.

**An accelerating interest in sustainability during the pandemic**

The pandemic serves as a warning that the future of our planet and humanity is under severe threat. What gives us hope is that the global financial markets, business world and regulatory authorities have heeded this warning and entered a rapid process of action.

In summary, we feel hopeful for the solution of problems as the notion of sustainability, which we have been advocating with determination for many years, implementing in our business practices and explaining to our stakeholders, and our predictions are increasingly being adopted.

**An approach that sees sustainability as a benchmark and constant path**

TSKB accepts sustainability as the anchor of its main strategy. Our primary goal is to focus on projects related to sustainability and the Sustainability Development Goals (SDG) and to integrate them in

our business. With the decisive implementation of this lean strategy, we will continue to strengthen our contribution towards tackling climate change and to support Turkey's sustainable growth and development.

The other aspect we care passionately about to share knowledge, awareness and our social contribution. The Green Swan Platform, which we implemented in the challenging conditions of 2020, aims to reach a wide audience as a climate initiative. The aim of the platform is to bring all those who are stakeholders in the climate crisis under the same roof to generate ideas and solutions through multilateral dialogue, to share and, through a ripple effect, spread our influence.

**Look forward to the future**

It is our belief that as long as global and collective action continues unabatedly, the advanced technological competencies and know-how will enable humanity to contain the climate crisis. TSKB will press ahead on its path as a bank that is efficient, producing, sharing and demonstrating its impact within the scope of the SDGs in 2021 and beyond.

Our management philosophy, which carefully balances risks and opportunities prudently, will allow us to generate added value in the short, medium and long term without compromising our priority of sustainable growth and revenue generation.

The strong and sustainable support of our shareholders and investors will remain our most valuable guide in our journey towards transformation of our potential into performance.

On behalf of myself and our Board of Directors, I would like to take this opportunity to thank our clients and other stakeholders, especially our human resources, and to wish you all the best of health, prosperity and peace in 2021.

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



## CEO'S MESSAGE

Dear stakeholders,

The World and our country experienced the year 2020 under the social and economic impacts of the Coronavirus pandemic.

TSKB, which managed the specific aspects of this special period with an agile approach, maintained its sustainability-oriented lending activities without interruption in 2020. At the same time, our Bank strengthened the value proposition it offers to its clients with its range of innovative products and services while maintaining its qualified support for the Turkish economy.

### Another year in which felt our power to change and adapt quickly...

The pandemic was a time when TSKB felt its power to change and adapt. We will remember 2020 as a year in which we tested all of our structures and measured our durability amidst the sudden changes in the market.

According to our financial results, which were realized in line with our projections, TSKB's total assets increased by 24% in 2020 to TL 51.5 billion. Our total cash and non-cash loan portfolio, which indicates the direct contribution of our Bank to the real economy, grew by 22.5% in the same period to reach TL 44.1 billion.

Our shareholders' equity expanded by 18% to TL 6.1 billion, while our Bank posted an annual net profit of TL 732.8 million for the period.

Another issue I would like to touch upon within the scope of our 2020 performance was our rapid response to the pandemic conditions. TSKB demonstrated a proactive approach as the first coronavirus cases appeared in Turkey. It immediately put in place a number of measures to protect the health of its stakeholders, especially its human resources and clients.

The measures which we rapidly implemented at our headquarters office and the Ankara Branch serve as an important reminder of our agility and organizational strength. Most of our headquarters office employees switched to remote working immediately after the announcement of the pandemic, and this rate reached 87% at the end of the year.

### Focus on client needs during the pandemic

During the pandemic conditions, we have always sought to remind our clients which we have an active business relationship with; "We think of you more than you do!"

The process of change and interaction experienced in 2020 has clearly demonstrated the interdependence of economic actors on each other. In an integrated value chain, the economic soundness of each link closely concerns and shapes the sustainability and future of other participants. By setting out on this simple reality, TSKB worked closely with its clients in challenging market conditions and provided USD 1.3 billion of cash loans to back the economy. On the other hand, it also offered re-structuring and additional support to its clients where necessary.

Throughout the year, financing continued to be extended to projects with a positive environmental and social impact in accordance with the UN Sustainable Development Goals (SDGs). Renewable energy projects accounted for one third of the new loan disbursements. Other areas which came to the fore included gender equality, inclusiveness and Covid-19 related financing.

### We celebrated our 70<sup>th</sup> anniversary

Founded in 1950, TSKB celebrated its 70<sup>th</sup> anniversary in 2020. Although we were unable to physically meet our stakeholders, especially our employees, we experienced this special anniversary with a sense of pride that comes with being part of TSKB, sticking together, working hard and planning for the future.

The Sustainability, Environmental, Social and Governance (ESG) criteria and the SDGs are TSKB's main operating anchors. We are committed to bringing a positive impact, providing a benefit and sharing in our activities. In the coming period, we will also continue to be the solution partner for the projects we believe in and which overlap with our principles, and we possess the capital elements necessary for this.

### The value and importance of sustainability

The unexpected conditions of 2020 have served to confirm the value and importance of the sustainability concept, on which TSKB has been focusing for many years. On a global scale, with both companies and investors focused on ESG issues, sustainability has turned into a value which is rapidly gaining traction, whose importance is being better understood.

The key importance of internalizing sustainability in the business cycle and generating a wide-ranging impact in the fields of social and governance as well as the environment form the basis of TSKB's perspective in banking. TSKB believes that the approach it adopts will play a key role in tackling the climate crisis, which is considered to be the greatest threat facing humanity. In addition to the strong know-how which the Bank has acquired in this field over the past 30 years, TSKB has also developed a multi-stakeholder network of relationships which supports the proliferation and spread of the impact it generates.

We work in communication and cooperation with all of our stakeholders within the framework of our responsibilities in the fields of sustainability, inclusive banking and development banking, which are shaped in line with our rich history backed by our extensive experience and our mission, and we embody our efforts to build the future. In addition to the work to mitigate climate risks, our Bank continues to carry out initiatives in the field of lending and extending resources and in investment banking, while providing the innovative products linked to the ESG.



**Embracing sustainability in the business cycle and generating a wide-ranging value on the social, governance and environmental aspects forms the pillars of TSKB's banking philosophy.**

**Ranked as the sixth best bank in the world on the basis of its ESG risk rating**

I am proud to declare that our long-term work in the field of sustainability has been recognised as a new global success story in 2020.

With its ESG risk rating of 16.7 rated by one of the most globally recognized institutions, TSKB became the best ranking bank in Turkey and the 6<sup>th</sup> best ranking bank in the world among 372 banks in the world.

TSKB will maintain its commitment to the management of the ESG risk factors going forward. The Bank will deploy its transformative power of financing as a valuable source of leverage to increase the positive contributions of its clients and business partners to sustainable development.

**We continue to diversify our funding structure in accordance with our focus**

Our Bank continued its efforts on thematic and long-term funding in 2020.

The Covid-19 funding agreement of USD 200 million, which was signed with the Asian Infrastructure Investment Bank (AIIB), was completed during the pandemic, where every contribution to the economy is of vital importance. The loan package provided a valuable contribution in development banking, helping to solve the difficulties facing the real sector and increasing resilience.

Immediately after being granted our ESG rating in 2020, TSKB signed the first loan agreement linked to its ESG risk rating. It is our belief that as the ESG risk rating improves, our Bank's cost of funding will be positively affected.

In 2020, TSKB also completed the renewal of the Sustainable Finance Framework which forms the basis of the sustainable bond issuances, which the Bank plans to carry out in the period ahead. In January 2021, as we were preparing our report, our Bank carried out the first Eurobond issuance of the year in the Turkish

**Immediately following the rating score we received in 2020, TSKB signed the first loan agreement linked to the ESG risk rating. It is our belief that as our ESG risk rating improves, our Bank's cost of funding will be positively affected.**



## CEO'S MESSAGE

finance sector under the theme of sustainability. The USD 350 million in funding obtained from the issuance of the 5-year sustainable bond marks a new step in our support for the Turkish economy and the real sector.

### An approach focusing on the Sustainable Development Goals (SDGs)

We successfully completed our SDGs mapping project, which we had been working on for the previous two years. With this project, we are able to quickly and clearly measure our contributions to SDGs with respect to our outstanding loan portfolio and new disbursements, and report them. We believe that it is important to transparently share our contributions to SDGs through our loan activities with our stakeholders. Among the SDGs which we have contributed with our lending activities, SDG 1, 7, 8, 9, 12, 13 and 17 stood out.

With the new loan model developed by TSKB and its subsidiary, ESCARUS, TSKB defines the self-assessments of companies on social, economic and environmental issues within the scope of the globally accepted SDGs. The Bank develops the action plans necessary to produce bring about an environmental and social impact together with its clients. Economic actors who take concrete steps within the scope of this cycle, are offered access to affordable financing.

A similar approach is applied in the field of investment banking. In this line of business, we provided alternative financing opportunities to our clients with the transactions which we implemented in 2020. One of these transactions which combines sustainability with investment banking is our Issuance of Sustainable Lease Certificate, which is the first of its kind in the world with a wide array of features. TSKB advisory

activities are also focused on contributing to the development and transformation journeys of our stakeholders in line with our mission. What our world and humanity need is a green economic recovery. TSKB is committed to fulfilling its duty in this area in cooperation with its stakeholders.

### The Green Swan Platform

In the second half of 2020, we launched the Green Swan platform.

The aim of the platform is to create an initiative that brings together representatives from the public and private sectors and the NGOs, international organizations, academics, students and members of the media, and which bolsters awareness, the development of new ideas and sharing on issues such as the climate crisis.

We place tremendous importance on raising awareness with regard to climate change. Under the umbrella of the Green Swan Platform, we closely follow global and national developments. On this occasion, we invite all of our stakeholders to think together and be a party to the solution in order to achieve a green economic recovery.

With the "On Climate" report series, which is our first issue in this context, we started to share data with a diverse range of content on climate change and its effects with our stakeholders. We will continue to enrich ourselves with our collaborations.

**Both our world and humanity need a green economic recovery. TSKB is committed to fulfill its duty on this issue in cooperation with its stakeholders.**

### Human resources drive our leadership

The employees at TSKB are the architects of the success we achieved in 2020, and have brought us a great deal of pride.

As each of us is a representative of a long-established tradition, we also work with the goal of being the staunch advocates of innovation and the future.

We attach tremendous importance to update and improve and improving the competencies of our human resources. Re-learning, adapting their skills to situations, capacity building, career planning and building the future indicate our main responsibilities to each of our employees in this sense.

With its firm steps towards the future, it is my sincere belief that TSKB will move forward with the a broader and integrated focus on human resources management and carry its power of leadership to the future by promoting the feeling that each employee owns their work.





### **The Future...**

The future will be redefined and shaped by human resources, strategic thinking, execution, agility and digitalization as a continuous journey.

Human capital is one of the key capital item at TSKB. With their flexibility and capacity to relearn, their management skills and a keen sense of belonging, the employees of TSKB are the guarantee of our future. Strategic thinking, execution and agility will be the other determinants of the future. It is imperative that we update our strategy, our plans and our behaviour sets in line with the changing trends and to be able to do this very quickly.

Digitalization, one of our priority issues, also stands to be one of the key determinants which will shape our future.

An important part of our experience in 2020 concerns our work in the field of information technology. In line with our commitment to protect the health of our employees, the remote access and communication infrastructure, which we developed as our teams switched to a format of working from home, served to confirm our ability to provide an uninterrupted service. We believe our improvement efforts in this context will also support our efficiency.

Turkey's economy has a vibrant and adaptive structure. We have full faith in the potential and future of our country. If steps are taken quickly on the axis of sustainability, Turkey stands to gain from the economic changes taking place in the world. Turkey's geopolitical position will offer strategically valuable opportunities for our country in the near future, while the trends towards regionalization and even localization of the supply chain and production will gain pace.

### **Our focus is on the country's sustainable development.**

While our experience in the field of sustainable banking will bolster our financial performance in 2021, it will also play a role in increasing the value we generate for the Turkish economy with our strong capital and liquidity.

Our goal is to continue to enrich our products, services and solutions range with innovative products geared towards the environment, social and governance by focusing on our activities in the fields of reducing the impacts of climate change and providing inclusive development in the coming period. In this context, we will act decisively in line with our financial and non-financial targets which we determined on the basis of capital items. I would also like to underline the point that we aim to provide USD 8 billion in SDGs related financing between 2021 and 2030.

On behalf of myself and the TSKB management team, I would like to thank our employees, business partners and clients, especially our shareholders, for their contributions and support.

### **While our experience in the field of sustainable banking bolsters our financial performance in 2021, it will play a role in increasing the value we produce for the Turkish economy with our strong capital and liquidity.**

We express our wish to see you on healthy, productive and happy days in a world where environmental, social and governance issues are widely adopted, and where the swans are white.

Respectfully,  
Ms. ECE BÖRÜ  
Board Member and CEO



# 2

## STRATEGY, PERFORMANCE AND EXPECTATIONS

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## Increasing Turkey's Resilience against the COVID-19 Pandemic

As the COVID-19 has evolved into a multidimensional global crisis with economic, financial and social ramifications, the multifaceted nature of the problem requires that the struggle should be a multilateral one. International development and finance institutions have announced a number of action plans with many countries around the world, including Turkey, taking steps on both the fiscal and monetary policy fronts.

For more details:

<https://www.tskb.com.tr/i/assets/document/pdf/Increasing%20the%20resilience%20of%20Turkey%20under%20the%20Covid-19%20pandemic.pdf>



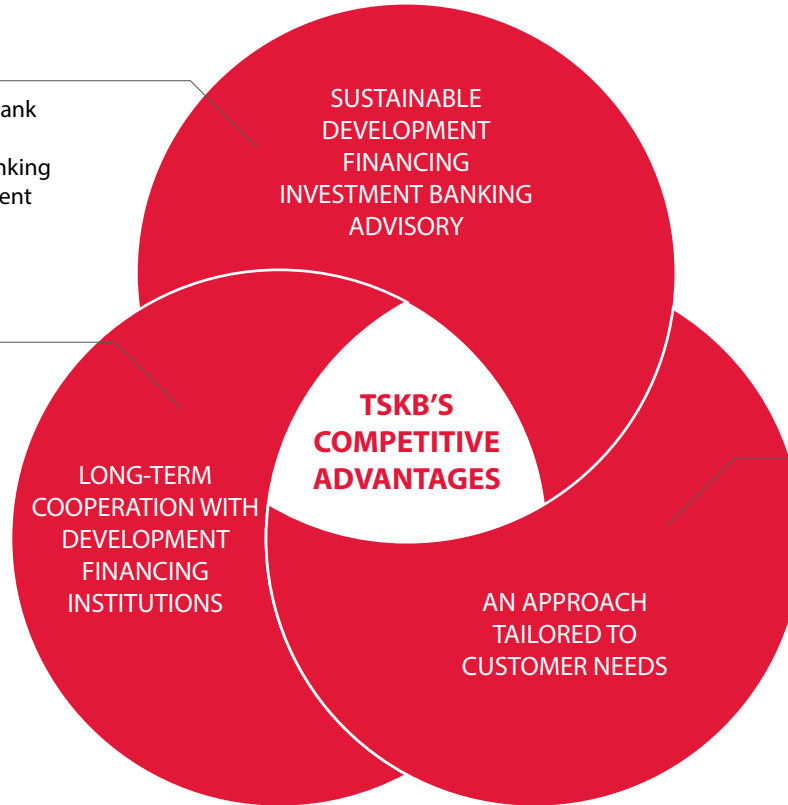
# STRATEGIC PLAN

## TSKB's Strategy

### CREATING VALUE FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

TSKB is a private development and investment bank which provides services in cooperation with all stakeholders in the fields of both investment banking and advisory, as well as in sustainable development finance.

TSKB has access to the long-term funds of development finance institutions and operates in long-term, effective cooperation with development finance institutions by taking into account the economy and the needs of our country.



TSKB conducts banking that produces focused solutions by realizing and identifying client needs by anticipating changing conditions.

**TSKB is Turkey's development and investment bank with a long-standing history dating back 70 years. It aims to be the business partner to be consulted first and preferred by its stakeholders in driving Turkey's economic, environmental and social development with its high value-added services in the fields of corporate banking, investment banking and advisory.**



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

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

### TSKB'S FOCUS AREAS

- Combating climate change
- Supporting the transition to a low carbon economy
- Maintaining the high-calibre human resources
- Undertaking development projects and supporting the SDGs with the three main business lines
- Strong financial performance and efficiency
- Strengthening international collaborations and developing new collaborations
- Strong corporate governance & effective risk management
- Overseeing equal opportunity inside and outside the institution
- Maintaining synergistic cooperation with the Group companies

TSKB takes into account its goals, competencies, strategic objectives, the market conditions and the expectations of its stakeholders when planning for the future. The Bank evaluates current and future resource needs within the scope of capital framework. It takes care to ensure that its strategy and resources come together on the right scale in its execution plans.

### ABOUT THE FUTURE

When designing its future strategy, TSKB takes into account the following in setting out its focus.

- Healthy balance sheet growth
- Strong capital structure
- High efficiency
- Sustainable profitability
- Elements of compliance with the market and stakeholder expectations

As TSKB moves forward, it will continue to invest in the competencies that will ensure its continued strength and competitiveness.

In this context, the Bank will continue to develop new strategic collaborations and invest in human resources.



# STRATEGIC PLAN

## Stakeholders and Materiality Analysis

### STAKEHOLDER COMMUNICATION

TSKB sets itself apart from commercial deposit banks with its 70-year history of development and investment banking. TSKB also differentiates itself within the framework of its strategy of creating value for inclusive and sustainable development, including its primary stakeholders and areas of focus.

**It is of critical importance for TSKB to determine the priority issues in line with the expectations of its stakeholders.**

### STAKEHOLDER ANALYSIS STUDY

Reflecting its integrated perspective to its strategy and all business processes, it is of critical importance for TSKB to determine the material issues in line with the expectations of the stakeholders.

TSKB, which regularly contacts all stakeholder groups within the scope of its business cycle, carries out large-scale stakeholder analysis at regular intervals to align its strategy and material issues to be on the same axis

as those of its stakeholders and to share transparent information regarding stakeholder expectations in its reporting. Preferably, the bank repeats its stakeholder analysis efforts every two years taking into account its long-term strategy and business model. It takes into consideration the important developments realised in the year after the stakeholder analysis is conducted and additional stakeholder views as an additional input into the realized stakeholder analysis study. The results of stakeholder analysis studies also serve as an important basis for the Bank's integrated reporting activities.

TSKB, which attaches tremendous importance to sustainable dialogue with its stakeholders, benefits from the feedback it receives, which serves as a valuable and guiding source of input in many subjects and the following areas;

- determination of strategic priorities,
- establishing policies and procedures,
- reviewing existing collaborations and the creation of new collaborations,
- development of social responsibility projects

The determination of the issues contained in this report is based on the stakeholder analysis carried out in the November-December 2020 period. The stakeholder analysis mentioned was carried out entirely through digital media in line with Covid-19 measures.

In the next step, a quantitative survey study was carried out, which would collect stakeholder views on specified issues, assess TSKB's stakeholder perceptions and analyse the importance of the specified issues. Once prepared, the survey was communicated through digital platforms to a sample group deemed to represent TSKB's stakeholder universe in line with the opinions of the relevant departments which are in regular communication with the stakeholders.





Following the completion of the survey process, materiality analysis was carried out based on the feedback received from stakeholders. As a result of the evaluation studies carried out, material issues were determined by taking into account the Bank's strategy and the internal and external stakeholder expectations. In addition, the issues determined as a result of the quantitative analysis were discussed from the perspective of TSKB's long-term strategy and current conjuncture. Seven issues were found to stand out within the framework of the Bank's strategic focus both for the present time and the near future.

The expectations of the stakeholders were found to be in line with TSKB's long-term strategy. The expectations of the priority stakeholders were found to be in line with TSKB's long-term strategy. When considering the Bank's strategic focus, the following 7 areas stood out as material areas:

- Financing of economic, environmental and social development in line with the SDGs
- Combating climate change and supporting and financing adaptation to climate change
- Sustainable growth and revenue creation
- Inclusiveness, ensuring equal opportunity and prevention of all forms of discrimination
- Strengthening solid relations and enhancing cooperation with international financial institutions and development finance institutions (DFI)
- Investment in human resources, employee development and increasing employee satisfaction
- Diversification and development of the products geared towards environmental and social development

The focus on creating value for Turkey's inclusive and sustainable development is an integral part of TSKB's mission. The Bank pledged its support for the SDGs set out in the United Nations Global Compact, which it signed in 2010. In line with its mission and this commitment, the concept of sustainable banking and its sub-themes have been internalized by the Bank, especially in the last 20 years, and integrated

The stakeholder expectations are classified under 7 related topics by taking into account the Bank's strategic areas of focus.

- **Supporting financing to combat climate change and to adapt to climate change**
  - Supporting and financing of combating climate change and adaptation to climate change
  - Management of the Bank's environmental and social impacts
- **Maintaining high-caliber human resources**
  - Investing in human resources, employee development and increasing employee satisfaction
- **Strong financial performance and efficiency**
  - Sustainable growth and revenue creation
  - Customer satisfaction
  - Carrying out new investments in digitalization and emerging technologies, with measures to address cyber attacks and data security
- **Strengthening international collaborations and developing new collaborations**
  - Enhancing relations and cooperation with national and international fund providers and development organizations
- **Creation of development projects and support for the SDGs in the three main business lines**
  - Diversification of the products which create benefits for the environment and social development
  - Financing of economic, environmental and social development in line with the SDGs
  - Financing efforts to combat economic, environmental risks and social disasters
  - Social responsibility projects which will raise awareness in the field of sustainability
- **Strong corporate governance and effective risk management**
  - Full compliance with corporate governance principles and effective risk management
- **Overseeing equal opportunity both inside and outside the institution**
  - Inclusiveness, ensuring equal opportunity and prevention of all forms of discrimination

into all work processes of the business model. the SDGs are of primary importance to the Bank and its stakeholders. Financing of economic, environmental and social development in line with the SDGs also covers the following most material issues such as combating climate change and supporting and financing adaptation to climate change, inclusiveness and diversification and development of the products geared towards environmental and social development.

TSKB is one of the leading institutions in Turkey in the fight against climate change and compliance financing. Since soon after turn of the millennium, TSKB has measured the internal impacts it creates from its direct activities, set target and action plans and outsourced regular external audits. The Bank, which holds ISO 14001 and 14064 certification, established the Climate Risks Working Group in 2020 which would not only manage direct impacts, but also study and evaluate indirect impacts.

Aiming to incorporate climate risks into all work processes and analyse the indirect impacts arising from lending activities, the Bank has accelerated its work on this issue by taking into account the publications and tools published by the TCFD (The Task Force on Climate-Linked Financial Disclosures) and UNEP-FI (the UN Environment Programme Finance Initiative) on climate risks. With the priority of combating climate change and compliance financing, the Bank started financing renewable energy projects in the 2000s and added the energy and resource efficiency projects to its loan themes in the 2010s. In addition to these themes, the Bank also focuses on projects which reduce impacts on the environmental and climate. Through such efforts, the ratio of sustainable loans within the Bank's total portfolio currently stands at 74%. On the other hand, since 2007, TSKB has been evaluating the environmental and social impacts of all investment projects, regardless of their amount, and takes lending decisions by taking into account the potential risks and impacts identified. Global climate change and the efforts to mitigate the effects of climate change will be



# STRATEGIC PLAN

## Stakeholders and Materiality Analysis

one of the major issues which will need to be tackled in Turkey and in the world in the coming period. TSKB will continue to increase the support it extends to efforts to prevent climate change going forward by developing new products and services for combating climate change and adapting to climate change.

TSKB's contributions to Turkey's development are based on the solid funding structure which it has established as a result of deeply rooted relations and collaborations with international finance institutions and development finance institutions. TSKB pursues an approach geared towards increasing the effective collaborations established with these institutions and fund diversity, while determining its material issues and the strategy it has developed in light of these issues. Therefore, it is as critical for these institutions that the Bank demonstrates a sustainable financial performance as it is for the shareholders. The priority of sustainable growth and revenue generation is an indispensable factor for the Bank in achieving its mission and realising its strategies. The Bank determines its future goals and plans its activities in line with this focus. In addition, its investments in human resources and digital solutions ensure that the Bank's activities are sustainable by enabling an uninterrupted service.

The inclusiveness internalized in the Bank's mission is reflected in the daily work routine of the institution as well as its activities. The principle of equal opportunity is an integral part of the Bank's human resources policy. While there were three women on the Board of Directors, women accounted for 56% of all bank employees at the end of 2020. Again, as an extension of this approach, there is no difference in the pay ratio between men and women working at the Bank. TSKB continues its financing activities in ensuring inclusiveness and equal opportunity while preventing all forms of discrimination. TSKB successfully realized its goal of extending USD 250 million in financing to both

### The expectations of the stakeholders were found to be in line with TSKB's long-term strategy.

support women's employment in our country and the economy in regions affected by the influx of refugees. TSKB will continue to support equal opportunity going forward, both among its employees and through its activities.

TSKB considers its human resources as the building block of its successful and sustainable performance. For this reason, TSKB places the utmost importance on the continuous development of its employees, their satisfaction with the institution and the environment in which they work, their sense of belonging and the benefits they provide. The pandemic experience in 2020, which will continue to have an impact for some time to come, has once again demonstrated the importance the Bank has placed on its human resources. The Bank put in place all necessary infrastructure and improvements to ensure that employees could work efficiently and safely from home, and a rapid transition was achieved. As of the end of 2020, almost all employees were working from home, at a rate as high as 87%. During this period, all training for the continuity of employee development was carried out online. Webinars were presented in different areas ranging from stress management to positive psychology and new business models in parallel with the pandemic.

Another material issue for the Bank is the diversification and development of products to support environmental and social development. TSKB, which has a long history and extensive experience in sustainable banking, deploys this know-how needed to implement innovative products. In May, the Bank was ranked as the best bank in Turkey on the basis of its environment, social and governance (ESG) risk rating,

and the 6<sup>th</sup> best in the world among 372 banks. In November, the Bank signed the first loan agreement to be linked to its ESG risk rating, in what was a first of its kind in Turkey. In the same year, the Bank implemented the SDGs loan model, which it developed with its subsidiary, Escarus. TSKB also updated its sustainability framework to issue sustainable bonds in 2021.

The other topic areas, apart from the seven areas assessed by taking into consideration TSKB's long-term strategy and the environment in which it operates, are of indispensable importance for TSKB. These topics are among the topics identified with the Bank within the framework of its core mission and activities. Detailed information on the place of the other topics in the TSKB strategy can be found in the table on page 32.

### RESULTS AND EVALUATION OF THE MATERIALITY ANALYSIS

The materiality matrix covering the TSKB management and all stakeholders, which were determined as a result of the stakeholder analysis, are presented on page 31.

The materiality analysis underlines that TSKB is developing in harmony with all its stakeholders, while approaching the country's qualified development from a perspective oriented towards sustainability and responsible banking.







# STRATEGIC PLAN

## Stakeholders and Materiality Analysis

### THE REFLECTION OF THE MATERIAL AREAS IN THE INTEGRATED REPORT

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

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Financing of the economic, environmental and social development in line with the SDGs	The TSKB Management / Finance Institutions, Development Finance Institutions, the Customers, Non-Governmental Organizations (NGOs)-Media, Industry Representatives	TSKB was established to support the development of the Turkish private sector and its aim is to promote sustainable development. With themed loans and APEX Banking, the investment and growth projects of the private sector in Turkey are financed by/through TSKB, regardless of sector and size.	9 11 17	Creating development projects and support of the SDGs with the three main business lines	
Combating climate change	The TSKB Management / the Customers, Development Finance Institutions, NGOs and the Media	Combating climate change and transition to a low carbon economy are key issues for TSKB. TSKB, which carries out pioneering work on combating climate change, renewable energy and energy efficiency, works in cooperation with its clients on the management of the risks arising from climate change.	7 11 13 17	Combating climate change and Supporting the transition to a low carbon economy	
Sustainable growth and revenue creation	The TSKB Management, the Employees, the Subsidiary Employees / Development Finance Institutions, Finance Institutions	TSKB's aim is to contribute to Turkey's sustainable development. Maintaining and developing its strong financial performance and is also crucial in ensuring its access to foreign sourced capital. In other words, sustainable financial performance is a key criterion for TSKB.	8	A strong financial structure and maintaining healthy asset quality	
Inclusiveness and equal opportunity	TSKB Management/ Development Finance Institutions, NGOs and the Media	Achieving social gender equality is vital to ensure sustainable development. It is clear that there is a need for financing resources for women's empowerment in Turkey. TSKB offers gender equality-themed loans in cooperation with development finance institutions. It embodies its support for women's empowerment in business and social life.	8	Overseeing equal opportunity inside and outside the institution	

The relationship between the SDGs and TSKB's objectives based on capital elements is set out in the tables on pages 32-34 with the following icons.

This is associated by giving the number and colour of the SDG.

This icon shows the relevant related capital target.

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Strong collaborations with international finance institutions and development finance institutions (DFI)	The TSKB Management/ Finance Institutions, Development Finance Institutions, Industry Representatives	For the medium and long-term success of TSKB, a private development bank, it is important to ensure continuity of its access to international financial resources.	8 17	Strengthening international collaborations and developing new collaborations	F1
Investment in human resources	The TSKB Management, Employees, Subsidiary Employees	Employee development is one of the top priorities for TSKB's management. TSKB considers human resources as the building block of a successful and sustainable performance. TSKB and its subsidiary employees prioritize their personal and professional development and have the opportunity to continuously develop themselves with the projects carried out.	8	Maintaining high-calibre human resources	I8
Diversification and development of the products for environmental and social development	TSKB Management/ Finance Institutions, Development Finance Institutions, Customers, Industry Representatives	The diversification and development of the themed loans offered by TSKB in accordance with its core mission serves many priority issues such as resource diversity, client satisfaction, collaborations with financial institutions.	7 9 11 13	Creation of development projects and support of the SDGs with 3 main business lines	D1 D1 D11 F6 S1 S2
Corporate governance	The TSKB Management/ Development Finance Institutions, the NGOs and the Media	Most of the financing provided by TSKB is sourced internationally. In terms of continuity of access to these resources, continuity of compliance with globally Accepted corporate governance principles and transparency are of great importance.	8 16	Strong corporate governance & effective risk management	F1 I6 F1



# STRATEGIC PLAN

## Stakeholders and Materiality Analysis

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Financing of efforts to combat economic and environmental risks and social disasters	TSKB Management/ Finance Institutions, Development Finance Institutions, Customers, NGOs, the Media, Industry Representatives	The effective management of the risks associated with economic, environmental and social disasters and financing is of great importance in order to ensure sustainable development. In particular, the Covid-19 pandemic in 2020 revealed how the financing for risk and disaster management is a priority issue.	3 11	Production of development projects and support of the SDGs with 3 main business lines	D3 D4 D5 D6 S1
Customer satisfaction	TSKB Management/ Customers	In a highly competitive market, it is vital to ensure the absolute satisfaction of clients. TSKB provides support to its clients in all matters they need with affordable and diverse financing resources, high quality investment banking and advisory services.	8	Strong financial structure and maintaining healthy asset quality	F1 D3 F6 S5
Digitalization	TSKB Management/ Customers	The issue of digitalization is vital in ensuring TSKB's activities are effective, efficient and resilient. In an increasingly digitalising world, the importance of issues such as rapid access to information, effective use of digital channels and data security will continue to increase.	9	Strong financial structure and maintaining healthy asset quality	F6 I1 I3 F3
Social responsibility projects which will raise awareness in the field of sustainability	The TSKB Management/ the NGOs, Industry Representatives	TSKB supports Turkey's sustainable development with its products and services. For TSKB, the social responsibility projects which it creates in parallel with Turkey's sustainable development are important both in providing direct support in the economic, environmental and social areas and in raising awareness of the related issues.	4 5	Production of development projects and support of the SDGs with 3 main business lines	S3 S6
Management of the Bank's environmental and social impacts	TSKB Management/ Development Finance Institutions, NGOs and the Media	Within the scope of the sustainable development mission, it is vital that TSKB measures and manages every impact created. The Bank manages all kinds of environmental and social impacts arising from its operations, even if they are at a level that can be ignored, with international management systems. TSKB has also adopted pioneering practices in the sector in the management of environmental and social impacts and risks, which are the indirect impacts of the projects it finances.	5 6 7 11 13	Combating climate change and supporting and financing adaptation to climate change	D1 D2 D3 D4 D5 D6 D7 D8 D9 D10 D11 D12



# STRATEGIC PLAN

## External Factors

### ECONOMIC DEVELOPMENTS

#### GLOBAL ECONOMIC DEVELOPMENTS

##### A global economy brought to a standstill by the shock of the pandemic

Following the slowdown in 2019, the global economy ground to a standstill in 2020 due to the measures aimed at containing the COVID-19 pandemic. While the first shock was overcome after a raft of monetary and fiscal policy measures were put in place in a number of countries, the decrease in the number of cases and the normalization steps taken during the summer months supported the recovery in economic activity. The developments on vaccines were other factor behind more positive expectations over outlook. However, downward risks to the medium-term outlook would remain high until the pandemic was fully contained.

##### A contraction in world trade volumes

World trade volume, which had been recovering at the beginning of 2020, contracted by 5.9% YoY in real terms in the January-November 2020 period. Preliminary data indicates that the recovery in the third quarter followed a fragile course in the last quarter. The manufacturing industry purchasing managers' index (PMI), which had stood at 50.1 at the end of 2019, sunk to its lowest level ever in April, at 39.8, before recovering to 53.7 by November 2020. The service PMI index, which gradually recovered from 23.7 in April to peak at 52.9 in October, eased back slightly to 52.2 in November. Country based results exhibited a diverging picture; with the pandemic spreading again, service sector indices dipped into negative territory, especially in European economies.

##### Non-oil commodity prices return to their pre-pandemic levels

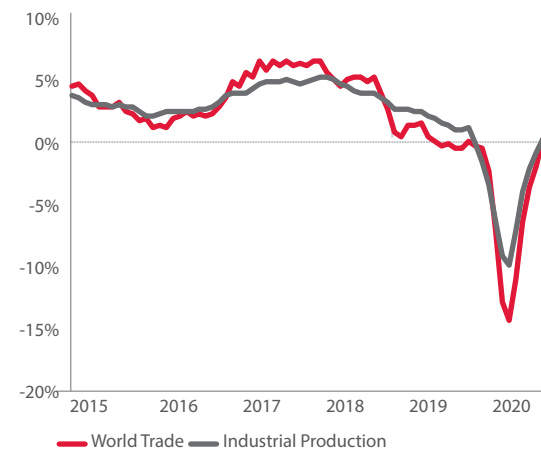
As a result of the expansionary monetary and fiscal policy steps and the search for safe havens, gold prices rose to above USD 2,000 per ounce during the year.

Although the recent progress in vaccine development has limited the rise in gold prices, they remained more than 20% higher than their end-year level. Weak global economy led to declines in commodity prices, while lowering inflationary expectations. The average price of a barrel of Brent crude oil, which was USD 64.3 in 2019, declined from the beginning of 2020 with the slump in oil prices continuing into mid-April with Brent crude prices sliding to below USD 16/bbl, before following a wobbly recovery in the following months to over USD 50/bbl with the support of optimism generated by the progress in vaccine development in November. Similar movements were observed in other commodity prices, with decreases in prices remaining relatively limited, while rises later in the year took prices to above their levels at the beginning of the year.

##### Weak demand suppressing inflation...

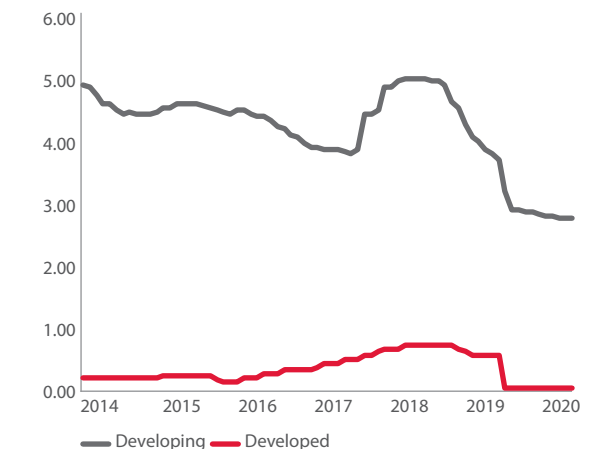
Falling commodity prices and vulnerabilities in the growth outlook led to downward pressure on inflation and interest rates. Inflation in the United States, which edged up to above 2% at the end of 2019, declined sharply in the first period of the pandemic to 0.2% in May 2020. Inflation gradually edged higher again in the following period and increased to 1.2% as of October. The annual rate of inflation in the Eurozone declined from 1.3% to -0.3% over the same period. Compound yield on the benchmark U.S. 10-year Treasury bond, which had generally been on a downward trend in 2019, decreased from 1.9% at the end of 2019 to 0.5% in the first quarter of 2020. During the same period, the compound yield on Germany's 10-year government bond decreased from -0.2% to -0.8%. In the following period, as a result of the limited improvement in global economic expectations and recovery in risk appetite, the compound yield on the benchmark US 10-year Treasury bond increased to 1.0% while compound yield on Germany's 10-year government bond inched up to -0.5%. The overall decline in bond yields in developed countries was influenced by the search for safe havens

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



Source: CPB, TSKB Economic Research

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



Source: Bloomberg, TSKB Economic Research



# STRATEGIC PLAN

## External Factors

and the bond purchase programs being undertaken by the central banks of developed countries.

### High volume of securities purchases

The US Federal Reserve lowered its policy rate, which was within a 1.50% to 1.75% band at the end of 2019, to a 0.50%-0.75% band in the first stage, and then to a 0.00%-0.25% band. At the same time, the FED purchased the Treasury and private sector bonds and took steps to meet the short-term liquidity needs. Swap agreements were entered into with major central banks to meet the need for the US Dollar liquidity in the global system.

The European Central Bank (ECB) maintained its borrowing interest rate on hold at -0.50%, while increasing asset purchases and targeted long-term re-finance operations. Similar steps were taken by the Bank of England (BoE) and the Bank of Japan (BoJ), with the balance sheets of the four major central banks expanding by USD 8.5 trillion in 2020. Similarly, the monetary policy stance was relaxed in many developing economies as asset purchase programs were implemented.

### Recovery expected in 2021 after the severe contraction in 2020

In light of the developments which occurred throughout the year, the International Monetary Fund (IMF) and similar international organizations updated their forecasts for global economic growth. Before the pandemic, these institutions had set out their expectation of some recovery in world economic growth in 2020. In March, however, they warned that the global economy was in the midst of its most severe contraction since the 2<sup>nd</sup> World War. The severe contraction in the second quarter was followed by a rapid recovery in the third quarter, leading to some revisions in expectations with forecasts of a milder contraction. However, medium-term forecasts

**The contraction in developing economies is expected to have been more limited than in developed economies in 2020, with a rapid recovery expected to follow in 2021.**

were updated in a downward direction due to the uncertainties surrounding the efforts to contain the pandemic.

Under these assessments, the IMF projects that the global economy will grow by 5.2% in 2021 after contracting by 4.4% in 2020.

Advanced economies were observed to have suffered a deeper contraction in 2020, and are not expected to rebound to their pre-pandemic levels until 2022. The contraction in developing economies, on the other hand, remained more limited in 2020 with a rapid recovery forecast for 2021. However, the progress in the work to develop vaccines, which accelerated in November, limited the downside risks to the global outlook. The spread and course of the global recovery will depend on when vaccine production reaches sufficient levels worldwide as well as the extent of its distribution.

## THE TURKISH ECONOMY

### The pandemic decelerated growth momentum, which made a strong start to 2020.

The Turkish economy, which had started to recover in the second half of 2019, got off to a strong start to 2020, but lost momentum in line with global trends amid the pandemic. The monetary and financial support provided to the economy paved the way for a rapid recovery in the third quarter, while the renewed surge in case numbers in the last quarter, along with lockdown measures, kept the economic outlook under risk.

### A moderate slowdown in the final quarter after the recovery in the third quarter

Gross domestic product (GDP), which had grown by 0.2% in the first quarter compared to the previous period according to seasonally and calendar adjusted data, suffered its severest contraction on record with a 10.8% fall in the second quarter. On the other hand, in the third quarter, GDP surged back by 15.6%, chalking up in its fastest quarterly growth on record. During this period, calendar adjusted GDP grew by 6.5% on an annual basis, while the GDP grew by 6.7% year-on-year according to the unadjusted data.

While private sector consumption and investment expenditures appeared to have been behind this recovery in the economy, feeble net external demand limited growth. In terms of production, an overall increase was observed. With these results, the GDP grew by 0.5% in the January-September 2020 period compared to the same period of 2019. Annualized GDP decreased to USD 736.1 billion in the third quarter of 2020 from USD 743.9 billion in the second quarter of 2020.

Leading data releases indicate that the recovery continued in the final quarter of the year on the back of the normalization process which had started in May. However, the improvement in expectations slowed down due to the ongoing pandemic and the sector-based confidence indices pointed to a moderate slowdown.

**In addition to a widening foreign trade deficit, a slump in tourism disrupted the current account balance.**

Despite the economic weakness in our trading partners, the rapid recovery in domestic demand during the normalization period and the brisk demand for gold led to a deterioration in the foreign trade balance. The balance of payments defined foreign trade deficit stood at USD 37.9 billion in 2020, up from USD 16.8 billion in 2019.

The current account balance, which yielded a surplus in 2019, ended 2020 with a deficit of USD 36.7 billion on the back of the slump in tourism receipts due to the pandemic. A current account deficit of USD 12.5 billion was recorded excluding energy, a far cry from the surplus of USD 40.0 billion in 2019. With these results, it is calculated that the current account stood at 5% of GDP during 2020.

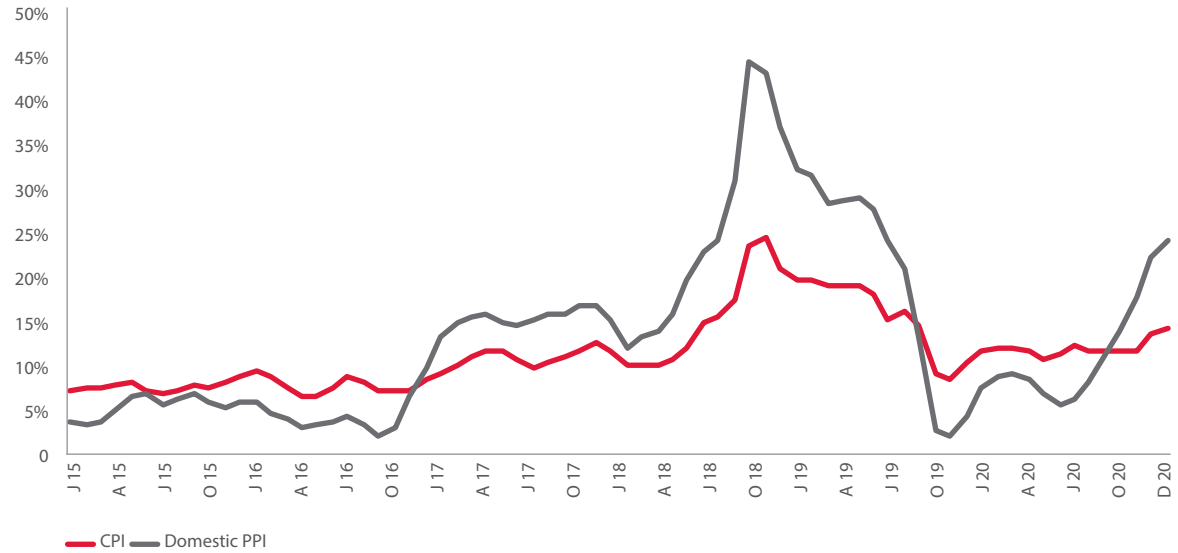
While the need for external financing increased due to the deterioration in the current balance, foreign exchange reserves and exchange rates came under pressure due to the weakness in capital flows. A total of USD 4.6 billion in foreign direct investment inflows were recorded during 2020 along with USD 5.5 billion in portfolio investments occurred. While companies deleveraged their foreign debt, official reserves decreased by USD 31.9 billion.

**Worsening in inflation dynamics has become more visible**

Inflation followed a moderate course in the first half of the year due to weak demand conditions. In the second half of the year, however, with capacity restraints brought about by exchange rate volatility and the normalization process, the risks and upward pressure to the inflation outlook increased, precipitating a rapid increase in food prices.

The annual rate consumer prices index (CPI) inflation increased from 11.8% at the end of 2019 to 14.6% at the end of 2020. At the same time, there were rises in the core inflation indicators due to the delayed

**ANNUAL INFLATION RATES**



Source: TurkStat, TSKB Economic Research

exchange rate impact. However, due to exchange rate induced cost pressures and movements in international commodity prices, the annual rate of inflation in the domestic producer prices index (D-PPI) surged to 25.1% by the end of 2020, up from 7.4% at the end of 2019.

Despite uncertainty surrounding demand conditions and a recovery in the value of the Turkish Lira, accumulated cost factors and expectations have kept the inflation outlook under risk.

**CBRT turns to tightening in the second half of the year**

In the first half of 2020, the CBRT adopted a supportive stance due to the weakness in the economy, before gradually withdrawing the measures taken during the pandemic in the second half of the year. The policy

interest rate, which started 2020 at 12.00%, had been gradually cut to 8.25% in the period up to May.

While supporting the financial system with additional liquidity means, the Central Bank of Turkey purchased bonds to expand its securities account by up to 12% of the analytical balance sheet in line with global trends. Financial conditions were tightened after August as additional liquidity means were withdrawn amid the volatility taking place in financial markets.

The Central Bank of Turkey raised its policy rate from 8.25% to 10.25% in September, to 15.00% in November and to 17.00% in December. While simplification steps were taken within the framework of monetary policy, the mandatory reserve requirement system, which is based on real credit growth and differentiated on a sectoral basis, was ended.



# STRATEGIC PLAN

## External Factors

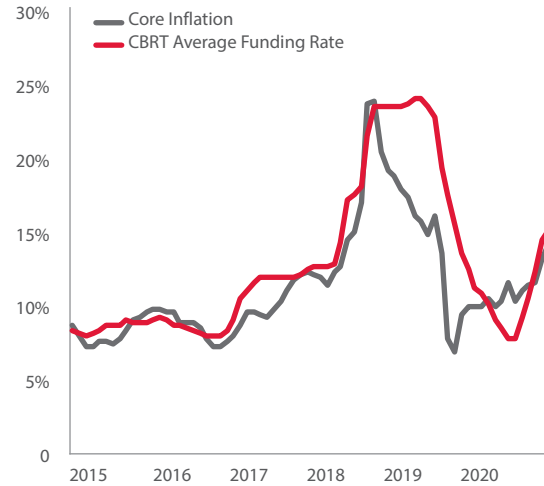
The Banking Regulation and Supervision Agency (BRSA) started to gradually withdraw the measures taken during the midst of the pandemic. The Asset Ratio (AR) application, which was implemented in April, was removed by the end of the year, while restrictions on transactions carried out with overseas residents were eased. On the other hand, the BRSA decided to extend the facilitating practices which it had implemented due to the pandemic and which were valid until the end of 2020, until 30 June 2021.

### A gradual recovery in the Turkish economy expected in 2021

The Turkish economy, which is estimated to have rounded off 2020 with limited growth, is projected to recover in 2021. It is calculated that the current account deficit will decrease as the expected recovery gains pace due to external demand coupled with the base effect.

Although global developments have limited the upward pressure on inflation, food prices and past cost increases will delay the improvement in inflation. Under these dynamics, the CBRT is expected to maintain its tight stance for some time to come throughout 2021.

### CBRT AVERAGE FUNDING RATE AND CORE INFLATION



Source: CBRT, TurkStat, TSKB Economic Research

### TSKB's performance in light of economic developments

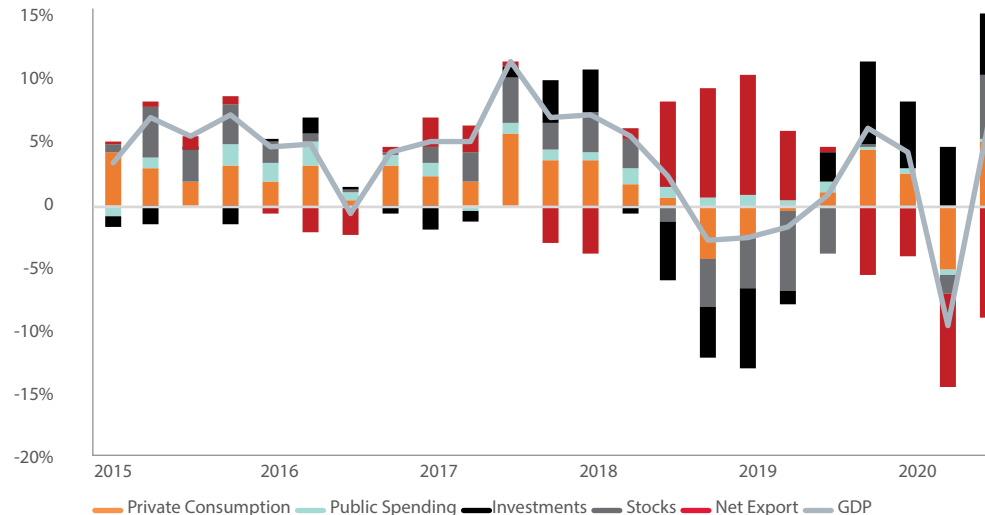
As a result of declining investment demand due to the pandemic and the diminished appetite for foreign currency (FX) loans, TSKB's loan growth was realized broadly in line with the previous year's level when adjusted for exchange rates in 2020.

In light of the expected recovery in the Turkish economy in 2021, the Bank foresees loan growth of 3-5% on an exchange rate adjusted basis.

[See Financial Capital](#) □□

**Turkey's economy is expected to recover gradually in 2021.**

### ANNUAL GDP GROWTH AND COMPONENTS



Kaynak: TÜİK, TSKB Ekonomik Araştırmalar



## DEVELOPMENTS IN THE SECTOR

### A year under the shadow of the pandemic

In addition to the negative economic effects caused by the pandemic, in 2020 the banking sector was affected by the measures taken by public authorities, the BRSA and the Central Bank to limit these effects.

As the CBRT's monetary policy and liquidity management responded to the first spread of the coronavirus outbreak in Turkey in March with the Economic Stability Shield package, the BRSA also took measures aimed at supporting economic activity with measures in areas such as asset quality, capital adequacy, fund management and loan allocation conditions.

At the initial stage, the banking sector implemented quarterly postponements to repayments for loan principal and interest. By utilizing the increasing Credit Guarantee Fund opportunities, both companies and consumers in need of credit were supported, while the Treasury's expanding borrowing need was met.

In 2020, banks directed about 62% of their net resources to loans and 26% to Treasury's issuances. In the sector, asset growth adjusted for the exchange rate impact was realised at 22%, while the increase in loans, excluding non-performing loans, was recorded at 23% with the government bond portfolio growing by 39%.

In 2020, Turkish Lira denominated loans grew by 44% while foreign currency (FX) denominated loans contracted by 9%, excluding the exchange rate effect. Corporate Turkish Lira denominated loans increased by 46% while there was a 40% increase in consumer loans denominated in Turkish Lira.

During this period, the banking sector moved to support companies and individuals struggling with their borrowings in accordance with the temporary BRSA measures. In the event of disruption in loan principal repayments and interest payments, follow-

up transactions were spread over longer periods. Restructuring requests were also taken into account.

In order to prepare for any potential negative developments, the sector allocated a high rate to its loan provisions, demonstrating an example of prudent management. The sector's rate of non-performing loans declined by 4% in 2020 on the back of the high rate of loan growth. The non-performing loan provisioning rate was increased to 72%.

In the banking sector, which maintained its profitability thanks to the monetary policies implemented in the first half of 2020, the return on equity ratio stood at 11% in the second half of the year, as a result of both the shrinking net interest margin due to the tightening

of the central bank policies and banks choosing to increase their provision expenses under a conservative approach.

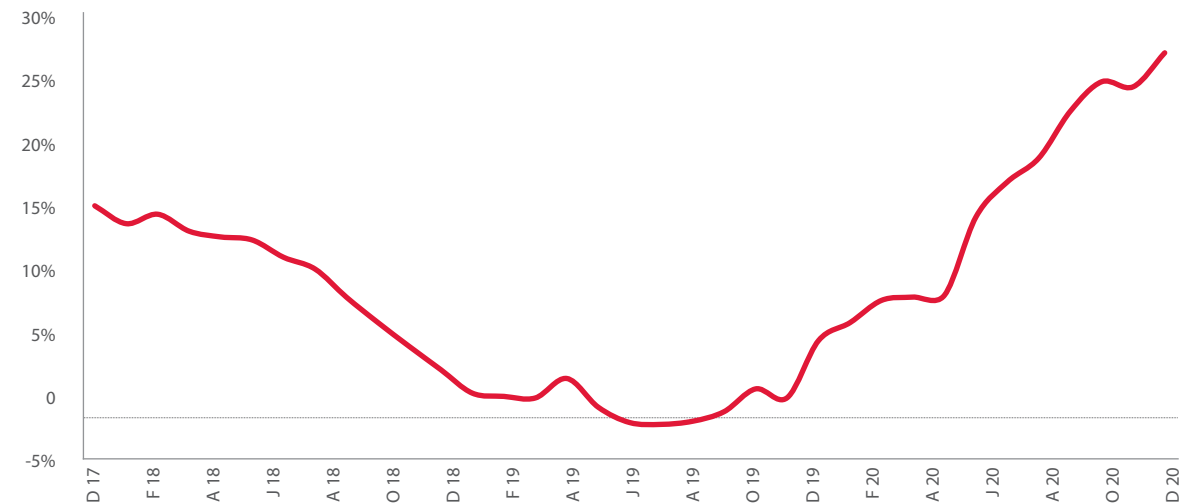
### Corporate loans to drive loan growth in 2021

With the contribution of the vaccine rollout to tackle the pandemic in 2021, Turkish Lira loans in the banking sector are expected to record approximately 15% growth on the back of the projected recovery in economic activity and expectations, mainly in the second half of the year led by demand for loans from corporate clients.

**While the sector recorded asset growth of 22% when adjusted for the exchange rate effect, there was a 23% expansion in loan volumes excluding non-performing loans with 39% growth in the government's bond portfolio.**

### BANKING SECTOR LOANS

(FX-adjusted annual growth)



Source: BRSA Statistics



# STRATEGIC PLAN

## External Factors

**It is predicted that the load of loan provision expenses will be lower than in 2020, supporting the sector's profitability in 2021.**

With the impact of the CBRT's monetary policy and the Treasury's borrowing program, the contraction in net interest margins is expected to continue in the first half of the year and exhibit a limited decline compared to 2020 on a YoY basis.

Although the BRSA extended the implementation of the temporary regulations regarding asset quality during the pandemic until the end of June to ensure a gradual transition, the non-performing loan rate

may be expected to exceed 5% due to the onset of an increase in non-performing loan creation and a slowdown in the rate of loan growth.

The load of loan provision expenses is expected to be lower in 2021 than in 2020 due to the continuation of restructuring efforts in loans and the positive impact of the expected economic recovery, especially the contribution of allocation of provisions at a high rate with a front-loaded approach in 2020. It is thought that this will support the profitability of the sector.

In 2020, the capital adequacy ratio was calculated in a methodology which would reduce the impact of sudden market fluctuations and in accordance with the temporary regulations set out by the BRSA. The calculation of the ratio was conducted such that it would provide a gradual transition to current values in the first half of 2021, and the sector is expected to continue to maintain its strong capital structure.

### Sectoral Developments and Impact on TSKB

The restructuring process of loans was largely completed over a two-year period. As of the end of 2020, the restructuring process of approximately 80% of TSKB's second and third group loans had been concluded. TSKB, which maintained its prudent provision policy in 2020, recorded a loan risk cost of 226 basis points at the end of the year. This figure is expected to be less than 200 basis points in 2021.

[See Financial Capital](#)

### AUTHORITIES' REGULATIONS AND REGULATORY CHANGES

#### Macro-Precautionary and Tax Measures

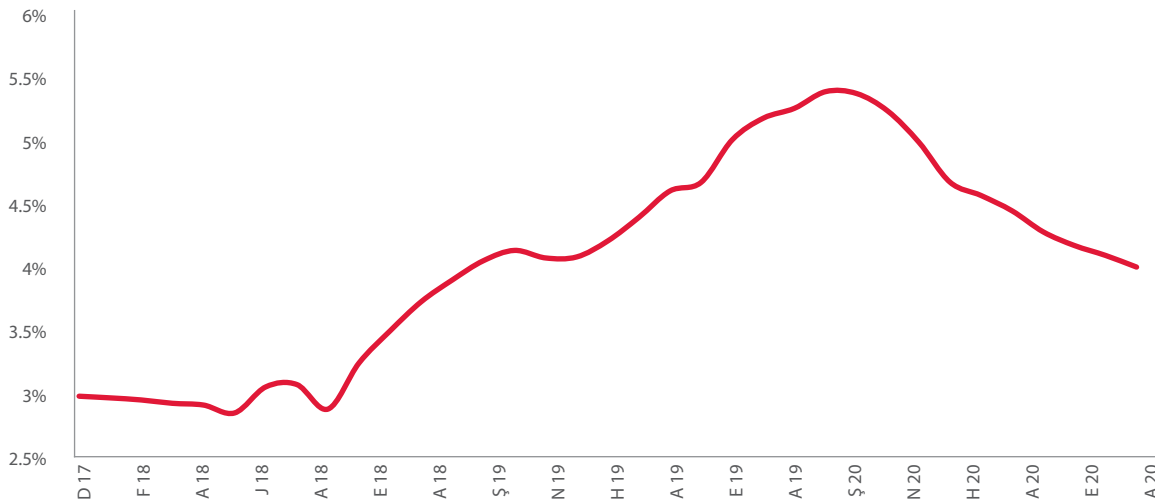
In order to limit the sudden and negative economic effects caused by the pandemic, which spread in our country in March, on both the banking sector and the real sector, measures were put in place on tax implementations along with measures on monetary policy to support the provision of financing.

These steps included administrative and procedural measures such as postponing tax returns and payment obligations, flexibility regarding penalties arising from the failure to submit declarations on time, expanding taxpayer services, accelerating tax return processes and measures reflecting essential tax policy changes.

The Foreign Exchange Expense Tax, which was determined as two parts per thousand (0.2%) with the omnibus bill published on 7 December 2019, was increased from 2 parts per thousand (0.2%) to 1% to be effective from 24 May 2020 during the pandemic period. During the normalization process, this rate was reduced back to 2 parts per thousand (0.02%) again on 30 September 2020.

In the Capital Movements Circular, which is the implementation instruction for the use of foreign currency (FX) loans and which was organized within

### BANKING SECTOR NPL RATIO



Source: BRSA Statistics

the scope of Resolution No. 32 on the Protection of the Value of Turkish Currency, measures were introduced in 2020 in line with the needs of the sector and the banks and finance institutions that broker foreign currency (FX) loans.

### **BRSA Regulations**

As of the first quarter of 2020, provisional arrangements were put in place by the Banking Regulation and Supervision Agency in the implementation of certain obligations which must be fulfilled by banks in order to reduce the negative effects of the COVID-19 pandemic on the banking sector.

In this context, the following decisions were taken;

- To grant flexibility of up to 180 days for the First and Second Group loans during the 90-day delay period before classification of loans as frozen receivables in articles 4 and 5 of the Regulation on the Classification of Loans and the Procedures and Principles regarding Provisions to be Reserved for the loans.
- Banks could continue to reserve provisions according to their own risk models in the calculation of the loan loss expected under TFRS (Turkey Financial Reporting Standard) 9 for the loans which continue to be classified in the Second Group even with the 90-day delay, and that Banks would not have any additional provision reserve obligations in this context.
- Loans classified as live receivables due to restructuring and whose principal repayments and/or interest payments were delayed by more than 30 days during the one-year monitoring period, or are subject to restructuring once again during this monitoring period, are not obliged to be classified in the third group.

These measures taken by the BRSA are due to enter effect from 30 June 2021.

### **The Fight Against Money Laundering and Financing of Terrorism, and Sanctions**

In parallel with the global developments experienced in 2020, TSKB closely followed both the recommendations of the Financial Action Task Force (FATF) and the regulations of the Financial Crimes Investigation Board (FCIB). The Bank's ban and enforcement inquiry and control steps, which have been performed through the systems automatically since 2016, were rendered more comprehensive by adding new control areas and processes in 2020.

The Bank applies the client risk scoring model within the scope of identifying, rating, assessing and mitigating the risks associated with the financial crimes and sanctions which it may be exposed to. TSKB divides its clients into three risk categories (low, medium and high) within the scope of this risk modeling.

Within the framework of its commitments to institutions and organizations with which it has a correspondent or resource relationship, the Bank continues its activities to determine strategies, measures, operating rules and responsibilities to reduce and monitor risks it may be exposed to within the scope of sanction and prohibition controls.

#### **Impact of New Legal Regulations on TSKB**

The Bank followed up all legislative changes throughout the year and operated in accordance with the regulations. In 2021, these developments will be also closely monitored and necessary actions will be taken.

[See Financial Capital](#)

### **Provisional arrangements were drawn up by the BRSA in the implementation of certain obligations that must be fulfilled by banks in order to reduce the negative effects of the COVID-19 pandemic on the banking sector.**

#### **OTHER FACTORS**

##### **Climate Change**

Climate change remained one of the biggest problems facing the world in 2020.

Extraordinary weather events and natural phenomena caused by climate change have reached devastating proportions. Australia experienced record temperatures and was ravaged by wildfires, while storms battered the USA and flooding was experienced in East and South Asia.

Although global greenhouse gas emissions exhibited a short-term dip during the Covid-19 pandemic which has affected the whole world, this decrease will not be sufficient or permanent unless governments mobilise climate related structural reforms.

In order to prevent global climate change, which is observed to have an effect that increases the intensity of Covid-19 and similar zoonotic diseases, climate action stands out even more than in previous periods.

Within the scope of the efforts to combat climate change, some key players in the private sector took a number of key steps in 2020. In September, as part of the Consumer Products Forum's Forest Positive Coalition Action, 17 brands with a total market value of USD 1.8 trillion pledged their commitment to reduce deforestation and move away from environmentally harmful supply chains. More than 270 companies, which are included in the RE100 Climate Group, took the step to transform their activities 100% renewable energy consumption.



# STRATEGIC PLAN

## External Factors

In 2020, the financial sector continued to be at the forefront of the fight against climate change. One of the most important developments in this field has been the establishment of the Net Zero Asset Owners Association under the leadership of the United Nations Financial Initiative. This Association, which consists of 33 institutional investors with a total asset of USD 5.1 trillion under their management, is committed to bringing the greenhouse gas emissions arising from their portfolios to net zero by 2050.

### Sustainable Finance

Sustainable finance market continued its unabated growth in 2020. The global sustainable borrowing market volume had reached USD 655 billion as of the end of 2020.

The tools used in the field of sustainable finance, which has also been affected by the Covid-19 pandemic and climate change, are not limited to bonds. 2020 was a year in which alternative sustainable financing tools such as green loans, ESG (Environment, Social, Governance) linked loans and SDGs (Social Development Goals) loans have also been used.

Various standard regulations on sustainable financial instruments also came to the forefront in 2020. The

“Final Report of the Sustainable Finance Technical Expert Group for EU the Taxonomy”, published in March 2020, contains recommendations for the creation of an inclusive EU Taxonomy and serves as a guide for users. The report also includes a technical monitoring criterion for the economic activities aimed at supporting adaptation to climate change and impact mitigation.

In June 2020, the EU Taxonomy Regulation was published in the Official Journal of the EU. Within the scope of the regulation, technical monitoring criteria for climate related targets are expected to enter force by the end of 2020. The EU Taxonomy Regulation will contribute to the standardization of sustainability activities throughout the EU.

### Steps taken in regard to climate change in TSKB

The Bank established the Climate Risks Working Group in 2020 and aims to integrate climate risks more deeply into its work processes in the coming period. In addition, the Bank plans to intensify its work on the impact created through lending activities.

The European Green Deal announced by the European Commission is expected to have significant implications for Turkey, which has strong trading relations with the EU. In this context, work is being carried out on the potential effects of legislative changes on Turkish industry. TSKB aims to provide direct and indirect support to its clients during the transition process.

[See Natural Capital](#) □□





### Sustainable Finance at TSKB

In addition to the themed resources obtained from DFIs the Bank implemented a number of good applications in the field of sustainable finance with the sustainable bonds issued since 2016 and the club loan linked to the ESG risk rating. In line with its mission, it continues to support sustainable development goals with these resources. As of the end of 2020, the Bank's sustainable investments accounted for 74% of its total loan portfolio. among the SDGs, which the Bank has supported to date, the following stand out: SDG 1, SDG 7, SDG 8, SDG 9, SDG 12 SDG 13 and SDG 17.

TSKB aims to provide USD 8 billion in the SDG-linked financing in the next 10 years (between 2021 and 2030).

[See Natural Capital](#)

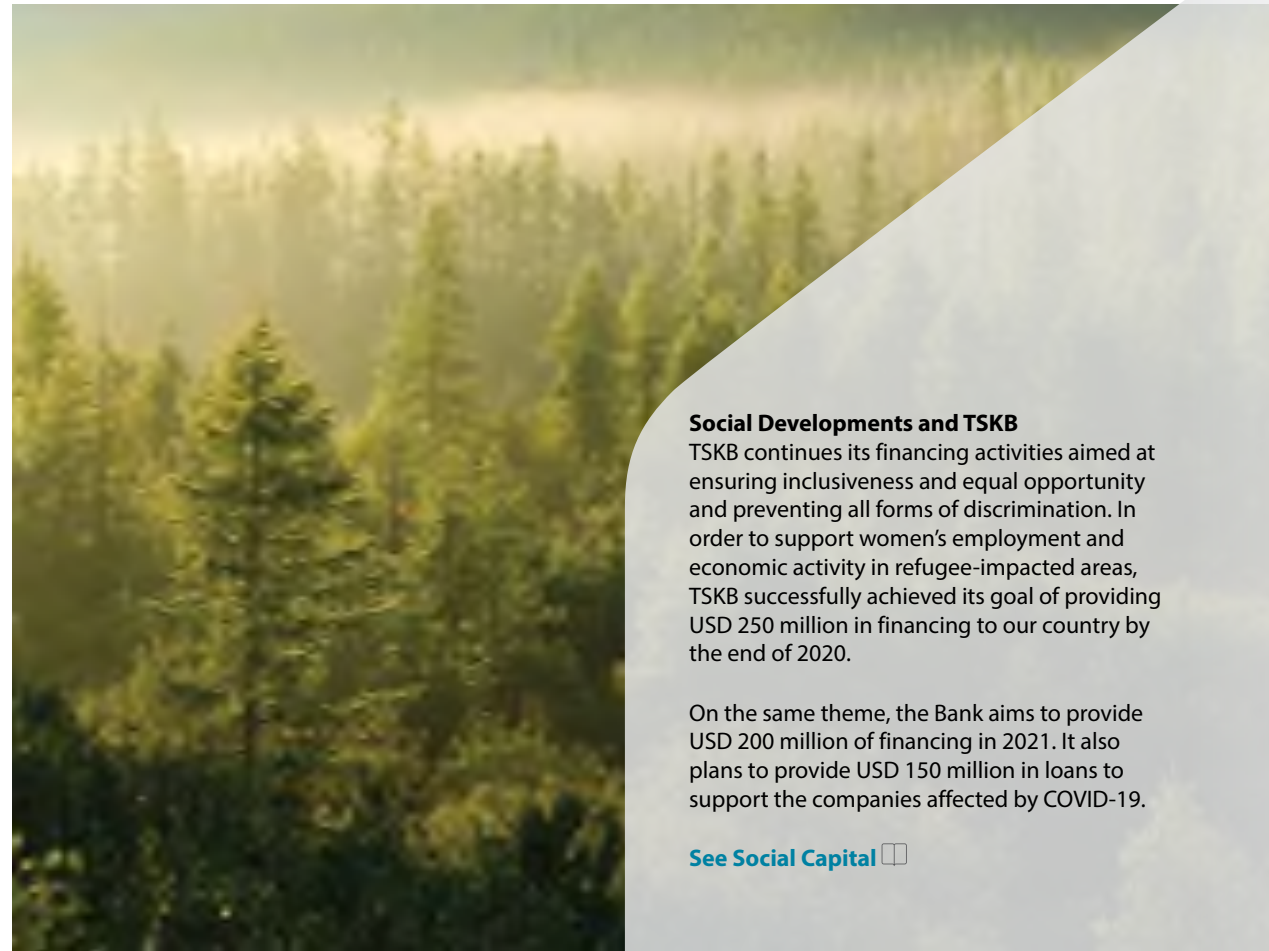
Another example of the work on sustainable finance carried out in 2020 was the Climate Transition Finance Handbook published by the ICMA (the International Capital Market Association). This handbook aims to provide investors with a roadmap for investments related to climate transition and to explain basic expectations to capital market players.

### Social Outlook and Social Development

According to data for November 2020, the rate of unemployment in Turkey decreased by 0.4 percentage points YoY to 12.9%. Turkey's rate of unemployment was higher than the OECD average of 6.7% in November 2020.

In the same period, youth unemployment in Turkey increased by 0.9 percentage points YoY to reach 25.4%. The June 2020 data indicates that the workforce participation rate for women stands at 32% - well below the global average of 46.9%.

A number of studies have been carried out on gender equality, the importance of which has become better understood with the Covid-19 pandemic in 2020. One of the most closely followed assessments internationally is the United Nations Development Programme Gender Inequality Index (GII). According to the most up-to-date data published within the scope of this index, Turkey ranks 68<sup>th</sup> in the index among 156 countries.



### Non-Financial Reporting Trends

Standardization activities gained prominence in non-financial reporting in 2020. Global organizations and some public institutions with an interest in non-financial reporting worked to establish common methodological frameworks for non-financial reporting. One such activity in this area was the Better Alignment Project carried out by the Corporate

### Social Developments and TSKB

TSKB continues its financing activities aimed at ensuring inclusiveness and equal opportunity and preventing all forms of discrimination. In order to support women's employment and economic activity in refugee-impacted areas, TSKB successfully achieved its goal of providing USD 250 million in financing to our country by the end of 2020.

On the same theme, the Bank aims to provide USD 200 million of financing in 2021. It also plans to provide USD 150 million in loans to support the companies affected by COVID-19.

[See Social Capital](#)



# STRATEGIC PLAN

## External Factors

Reporting Dialogue, which had a major impact on reporting efforts during 2020 with its report published at the end of 2019. This project, which was carried out by the Corporate Reporting Dialogue, whose members include institutions such as the CDP, GRI, the IIRC and SASB, mapped out the standards and frameworks of its participants with the Task Force on Climate-related Financial Disclosures (TCFD) requirements, revealing levels of compliance. It presented improvement metrics and targets for the institutions. In a similar project carried out by the, the European Commission reviewed the Non-Financial Reporting Directive by including the public consultation process. This process is aimed at harmonizing reporting requirements with the TCFD recommendations.

During the year, the IIRC revised its Integrated Reporting Framework. The new framework, which was drawn up in response to the feedback received from roundtable meetings and online surveys, is focused on simplifying the statement of responsibility required for integrated reporting, providing deeper insight into the quality and integrity of reporting processes, highlighting the difference between outputs and outcomes, maintaining results and values, and further highlighting the balance between scenarios.

The UNEP Finance Initiative Principles of Responsible Banking, which is one of the most prominent movements in managing non-financial impacts in the finance world, also published a guideline on non-financial reporting in 2020. This work, entitled "Guidance Document: Reporting on the Principles for Responsible Banking", provides the signatories to the initiative with guidance on the principles of non-financial reporting and the initiative.

### **2020 was a year when standardization in non-financial reporting became crucial. Global organizations and some public institutions with in interest in non-financial reporting worked to establish common methodological frameworks for non-financial reporting.**

In addition to the regulations, the number of non-financial reporting organizations demonstrated an increasing trend in 2020, as in previous years. It is acknowledged that there has been a positive approach to non-financial reporting within the G250, which defines the largest 250 companies in the world according to the Fortune 500 rankings for 2019. According to the data, 37% of the G250 companies conducted their reporting in line with the TCFD recommendations in 2020, and 76% of the companies determined carbon reduction targets in their reporting. In addition, in 2020, it was found that 96% of the same companies published sustainability reports, 22% published integrated reports and 76% of the companies included data on sustainability in their annual reports.

### **Reporting Trends and TSKB**

The Bank closely follows up developments, good practices and reporting trends related to international standards and carries out improvements to its reporting by taking into account its stakeholders' feedbacks. Within the scope of the IIRC's revised Integrated Reporting Framework, the Bank participated in roundtable meetings and offered its views presented its views and opinions.

The first progress report prepared in line with the UNEP-FI Responsible Banking Principles, which the Bank signed in 2020, is included in the annexes of the report. The Bank works on the impacts regarding climate risks as a result of its lending activities. The targets, which were determined within the framework of the 5-year roadmap are included in the Natural Capital section of this report.

[See Natural Capital](#)

### **COVID-19**

Covid-19, which emerged at the beginning of 2020 as a threat to human health, has become a humanitarian and socioeconomic crisis. The pandemic which marked 2020 has had far-reaching ramifications on production, ways of doing business and the economy.

The social isolation measures have disrupted many business processes leading to increased unemployment with the termination of employees in the disrupted work lines, with health services requiring support to tackle this highly contagious virus.

These developments presented both local and international economies with a difficult process to manage. Throughout the process, governments have stepped up their public spending, with figures indicating that public spending as a proportion of GDP in 22 countries increased by 20% compared to the previous year.



Many private sector organizations contributed to the efforts to mitigate the negative effects of the crisis with their policy to avoid lay-offs. However, despite all of these measures, global GDP is estimated to have contracted by 5.2% in 2020 under the base case scenario in what will have been the biggest economic recession the world has faced for decades. It is estimated that the extent of the recession will have varied in different geographical regions; data indicates that the economic contraction was around 0.5% in East Asia and the Pacific, 4.2% in the Middle East and North America, 4.7% in Europe and Central Asia and 7.2% in Latin America.

**One of the most important impacts of the pandemic for both the business world and governments has been understanding the importance of risk management and emergency response plans.**

This period, which has demanded rapid solutions to problems with financing, has witnessed a surge in demand for sustainable finance instruments, which had already been on the agenda before the crisis. In particular, development institutions and banks took steps towards bond issuances in the fight against Covid-19 from the end of March, with Covid-19-themed bond issuances starting in April.

One of the most important impacts of the pandemic for both the business world and governments has been the understanding of the importance of risk management and emergency response plans.

It is predicted that institutions directly faced with low-probability but high-impact risk will approach risk management work more seriously in the post-pandemic period. In addition, changes in working conditions, a process of questioning traditional business models, the increasing depth of digitalization, differentiating approaches in supply chain management and the increased importance of food safety have been other important consequences of this process. These issues, which had been out of the spotlight in previous years, have now become the areas which institutions closely examine and which are expected to usher in changes in working processes after the pandemic.

#### **Covid-19 and TSKB**

As of the end of the year, an average of of the employees of the Bank, which rapidly switched to a remote working system during the pandemic period, were working remotely. TSKB's activities continue without interruption, and the bank plans to switch to a hybrid operating model after the pandemic.

TSKB extended support to the companies adversely affected by the COVID-19 pandemic by responding to their liquidity and working capital needs throughout 2020. Accordingly, the ratio of the Bank's working capital loans in total loans increased from 22% to 25%. Under the COVID-19-themed loan obtained from the AIB in 2020, support will continue to be provided to support the resilience of those companies adversely affected by the pandemic and the sustainability of their activities.

[See Financial Capital,](#)  
[Social Capital](#) □□

**Covid-19, which emerged at the beginning of 2020 as a threat to human health, turned into a humanitarian and socioeconomic crisis. The pandemic, which left its mark on 2020, has had serious ramifications on production, the ways of doing business and the economy.**



## CAPITAL ELEMENTS



### FINANCIAL CAPITAL



#### 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

##### AN IMPORTANT PLAYER IN THE DEVELOPMENT AND INVESTMENT BANKING WITH ITS STRONG CAPITAL STRUCTURE

TSKB's total asset size expanded by 24% compared to the previous year, reaching TL 51.5 billion by the end of 2020. Ranking 13<sup>th</sup> in the sector in terms of asset size, the Bank maintains its 2<sup>nd</sup> position 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 16.6% at the end of 2020. (excluding forbearances). The Bank's shareholders' equity increased by 18% YoY and reached to TL 6.1 billion at the end of 2020.

##### THE FIRST EUROBOND OF THE YEAR

TSKB further strengthened its liquidity position with the USD 400 million Eurobond issuance in January, and the COVID-19-themed loan obtained from the Asian Infrastructure Investment Bank (AIIB) during the year. In addition, the Bank obtained a USD 150 syndicated loan facility with the participation of international banks.

#### INCREASING ESG FUNDING AND PRODUCTS

In May 2020, TSKB ranked the first bank in Turkey with an ESG risk rating score of 16.7 points from Sustainalytics which implies a low risk category. The Bank was placed in the second percentile among the diversified banks category. In 2020, TSKB, which integrates this perspective into its services, introduced innovative products in the environmental, social and governance category. Providing the first loan linked to the ESG risk rating in Turkey, TSKB also implemented

the SDG Loan Model developed with its subsidiary, ESCARUS, during the same period. In this context, with the SDG Evaluation Tool, the performance of companies in the social, economic and environmental areas is evaluated and action plans are determined. In the final stage of the process, companies are offered improved financing costs depending on their assessed impacts. In the investment banking area, TSKB advised the first sustainable lease certificate issuance in 2020.

#### TSKB PROVIDED A SIGNIFICANT CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS THROUGH ITS LOANS



#### SDG FOCUS IN LENDING ACTIVITIES

In 2020, TSKB continued to finance projects which have positive environmental and social impact by placing SDGs at the core of its activities. In 2020, the Bank's support to the economy through cash and non-cash loans amounted to USD 2.1 billion. USD 120 million of the USD 1.3 billion in cash loan disbursements was realized through APEX loans.

In 2020, the Bank completed its SDG Mapping Project to measure its contribution to the SDGs. Within the scope of the project, each loan disbursed by TSKB is classified according to its theme and link to the SDGs by the Social Impact working group in the Sustainability Sub Committee. The Bank will continue to monitor the contribution made to economic and social development in a sound manner by bringing all lending activities under the scope of measurement in terms of the SDGs and themes. Among the SDGs supported through lending activities, SDG 1, SDG 7, SDG 8, SDG 9, SDG 12, SDG 13 and SDG 17 stand out.





## 🔍 Highlights from 2020

### USD 1.9 BILLION OF NEW LOAN LIMITS

During the year, TSKB allocated a cash and non-cash (excluding APEX) loan limit of USD 1.9 billion to its corporate clients and signed a new loan agreement of more than USD 1.2 billion. The number of active clients of the Bank has increased by 26% over the last 5 years.

### WORKING CAPITAL SUPPORT FOR COMPANIES WHICH ARE ADVERSELY AFFECTED BY COVID-19

TSKB has a 34% market share among development and investment banks in long-term loans. The Bank focused on the working capital and liquidity needs of the companies adversely affected by COVID-19 in order to mitigate the effects of the pandemic which dominated 2020, in addition to the investment loans, which the Bank focuses on in line with its mission. Accordingly, at the end of 2020, the share of investment loans in the total loan portfolio decreased slightly to 67%, while the share of working capital loans reached to 25%. The share of APEX loans was unchanged from the previous year, at 8%.

### MEDIUM- AND LONG-TERM LOANS COMPRISE 86% OF TOTAL LOANS

TSKB disburses medium- and long-term loans to its clients in line with its vision of being the leading bank in Turkey's sustainable development. At the end of 2020, 14% of TSKB's loan portfolio consisted of loans with a maturity of less than 1 year and 52% of loans had maturities of 5 years or longer. Average loan maturity is 5.5 years with a size of USD 14 million.

### INCREASING CONTRIBUTION OF ADVISORY AND INVESTMENT BANKING REVENUES

Despite the negative effects of COVID-19, the Bank's successful transactions in investment banking and advisory services continued to support revenues at an increasing rate. In 2020, the Bank doubled its investment banking and advisory revenues compared to the previous year, with these revenues constituting 40% of total gross commissions.



## Continuous Value Creation

SUPPORT PROVIDED TO THE ECONOMY

**USD 2.1** Billion

Support extended by TSKB to the economy with cash and non-cash loans in 2020

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

**SDG** 1, 7, 8, 9, 12, 13, 17

7 SDGs which stand out in the outstanding loan portfolio

## Future Projections



- » TSKB's goal is to achieve its growth objectives by utilising its financial capital with an effective and efficient approach and to increase its support to the real sector through diversification.
- » The Financial Capital targets are set out on page 64-65. □



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

### LONG-ESTABLISHED EXPERTISE IN INVESTMENT LOANS

In 2020, TSKB disbursed USD 1.3 billion in cash loans to its clients within the scope of the Corporate Banking and Project Finance activities. USD 580 million of this amount was provided to corporate clients as long-term investment and short/medium term working capital loans. Within the scope of its project finance activities, the Bank, via syndication with other financial institutions, provided approximately USD 600 million to the financed projects. The volume of APEX loans disbursed during the same period amounted to approximately USD 120 million.

During 2020, TSKB mainly financed investments in electricity generation and distribution investments in industrial development, support for women's employment and developing regions, energy and resource efficiency and infrastructure as well as responding to the investment and working capital needs of the SMEs and the MSEs (Medium Sized Enterprises) operating in sectors such as automotive, textiles, chemicals and plastics, packaging, food, logistics, iron and steel and machinery.

Within the new renewable energy loan disbursements; wind, geothermal, solar and biogas/biomass power plant investments stood out in 2020.

In addition to renewable energy; women's employment and developing regions, which include the economic and social sustainability themes, will make up a majority share in the new loan disbursements in 2021.

According to the 2020 data released by the Turkish Banks Association, TSKB has a market share of 4.4% in the field of project finance.

## AREAS WHERE TSKB PROVIDES PROJECT FINANCING

### ENERGY GENERATION

Renewable Energy and Power Generation Plants

### ENERGY DISTRIBUTION

Electricity Distribution Projects

Natural Gas Distribution Projects

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

Energy

Fuel

Packaging

Pharmaceuticals

### INFRASTRUCTURE / TRANSPORT

Logistics

Transportation Projects (Ports and Airports)

Telecommunication

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

Renewable energy is one of the themes to stand out among new loan disbursements in 2020.



**RENEWABLE ENERGY**

**330 PROJECTS - 6,594 MW** ✓



**94 HPPs**

Number of Ongoing Projects: 1

**Total Installed Power**  
3,824 MW



**38 WPPs**

Number of Ongoing Projects: -

**Total Installed Power**  
1,710 MW



**162 SPPs**

Number of Ongoing Projects: 16

**Total Installed Power**  
260 MW



**16 GPPs**

Number of Ongoing Projects: 1

**Total Installed Power**  
628 MW



**20 Biomass / Waste**

Number of Ongoing Projects: 1

**Total Installed Power**  
172 MW



**ENERGY AND RESOURCE EFFICIENCY**  
**149 PROJECTS**

**Sectors**

Tourism, Energy, Chemical, Mining, Automotive, Steel, Cement, Textile



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

### THE RENEWABLE ENERGY SECTOR AND TSKB

The effective and accurate use of renewable energy resources is of key importance in the process of combating climate change and transitioning to a low carbon economy in Turkey.

Renewable energy resources are key to reducing Turkey's external dependency on energy. Electricity generation has the largest share of TSKB's loan portfolio, with a 38% share. Renewable energy projects account for 88% of electricity generation projects.

### The renewable energy installed power capacity funded by TSKB has reached 6,594 MW.

TSKB has been supporting projects in the field of renewable energy in Turkey since 2002 with its medium- and long-term funds.

The energy projects to which TSKB has extended funds range from hydroelectric power plants to solar, wind, biomass and geothermal power plants. The projected total installed power of a total of 330 projects financed is 6,594 MW and represents 13.3% of Turkey's total installed capacity in renewable energy.

In 2020, investments based mainly on wind, solar, biogas and geothermal resources were financed in the field of renewable energy. Expectations that the renewable energy resources support mechanism (YEKDEM) would terminate in 2020 led to an increased pace of new renewable energy investments. The current practice was extended by the authorities for another 6 months during the year.

TSKB's loan portfolio was dominated by the energy sector as of the end of 2020. In the coming period, the Bank will continue to support renewable energy projects which contribute to bringing domestic energy resources into the economy.



**The effective use of renewable energy resources is of tremendous importance in the fight against climate change and Turkey's transition to a low carbon economy.**

### 94% of financed renewable energy projects are in operation

As of the end of 2020, 94% of the renewable energy projects financed by TSKB had started generating electricity. The total installed power of the projects in operation currently amounts to 6,199 MW.

The total investment amount of energy projects financed in Turkey between 2003 and 2020 reached USD 11.3 billion, while the volume of loans committed by TSKB for these projects stands at approximately USD 4.9 billion.

### Strong support from TSKB for energy and resource efficiency projects

Since 2013, TSKB has been supporting efforts to increase resource efficiency in Turkey's private sector by offering medium- and long-term funding opportunities. To date, the Bank has provided USD 1

billion in financing for a total of 149 projects in the fields of energy and resource efficiency, production processes and waste management to companies in the iron and steel, cement, textile, aluminium, automotive supply industry and chemicals sectors.

TSKB forecasts that the importance of resource efficiency, including energy efficiency, will surge in a conjuncture where efforts to tackle climate change are becoming increasingly significant.

### TSKB aims to provide its clients with direct and indirect support during the transition to the EU Green Deal

The European Green Deal announced by the European Commission is expected to have significant implications for Turkey, which has strong trade relations with the EU. In this context, TSKB works on and monitors the potential effects of legislative changes on Turkish industry. TSKB aims to provide direct and indirect support to its clients during the transition process.

### **VERSATILE SERVICES EXTENDED TO SMEs**

TSKB has stood by the real sector since its establishment and has strongly demonstrated its support for SMEs, which are the lifeblood of the Turkish economy. The Bank has developed various financing models to support SMEs and worked closely with international financial institutions.

TSKB finances the investments of the SMEs in a wide array of fields from technology upgrading investments and capacity increases to energy efficiency and environmental projects. In addition, the working capital needs of the SMEs are met in accordance with the criteria of the funds obtained from international financial institutions.

In this context, the loan obtained from the AIIB in 2020 provides support to meet the working capital needs of the SMEs and corporations which are adversely affected by the Covid-19 pandemic.

On the other hand, in 2020, resources continued to be transferred to SMEs through both direct financing and APEX banking within the scope of the IBRD IncA2F loan. At the end of 2020, the share of loans disbursed to SMEs through the APEX financing model stood at 8% in the total portfolio.

Providing sufficient collateral is one of the most challenging problems SMEs face in accessing bank loans. TSKB signed the InnovFin the SME Guarantee Agreement with the European Investment Fund (EIF), which was developed in 2016 as part of the European Union's Research and Innovation Framework Programme, Horizon2020, which cover the years 2014-2020, in order to help SMEs access loan financing.

TSKB has been supporting the research, development and innovation projects of innovative SMEs since 2016 with the loans in its portfolio established within the scope of the credit guarantee mechanism, and has a total portfolio size of EUR 10.7 million with a total of 11 sub-loans included in the InnovFin portfolio.

Women's employment provided within the scope of gender equality

### **Over 1,500**

At the end of 2020, more than 1,500 women had been provided with employment opportunities through the projects funded under the theme of gender equality and women's employment.

### **AN INCREASED FOCUS ON INCLUSIVENESS**

In December 2016, TSKB signed a loan agreement with the French Development Agency (AFD- L'Agence Française de Développement), adding occupational health and safety and women's empowerment to its themes. With this funding provided by the AFD, occupational health and safety investments of the companies operating in Turkey were supported, and financing was extended to the investments of companies which support gender equality in the workplace and provide opportunities for women to join the workforce.

In addition to women's employment, TSKB continued to support enterprises operating in developing regions with a high concentration of Syrian refugees under temporary protection in 2020, with a USD 400 million loan sourced from the World Bank in 2018.

In 2019, a EUR 85 million loan agreement was signed with the AFD, marking a continuation of the cooperation with the AFD which has been ongoing since 2016. With this loan, financing continues to be provided to the investments of companies which support equal opportunity in the workplace and women's employment.

At the end of 2020, more than 1,500 women had been provided with employment opportunities through the projects funded under the theme of gender equality and women's employment. In addition, within the scope of equal opportunity, action plans are designed

Funding for the real sector

### **USD 6.4 billion**

A total of USD 6.4 billion in direct financing was provided to the real sector.

for companies to self-evaluate and improve their existing practices. In this context, action plans such as applying equal opportunity for employees starting from their recruitment, the revision of human resources policy, ethics, disciplinary policies, improvements to or the creation of breastfeeding rooms in companies, reducing or eliminating the gender pay gap and support for training on gender equality have been implemented. As of the end of 2020, there had been a 25% improvement in working conditions within companies thanks to the action plans implemented in this context.

### **USD 7.2 BILLION IN FUNDING PROVIDED TO THE REAL SECTOR OVER A 5-YEAR PERIOD**

TSKB unwaveringly maintains its qualified contribution to the sustainable growth of the Turkish economy. In the last 5-year period, the Bank directly provided a total of USD 6.4 billion in financing to the real sector, mainly in the fields of renewable energy, energy efficiency, infrastructure and logistics.

When taking into account the USD 770 million disbursed to SMEs through APEX loans, TSKB provided a total of USD 7.2 billion in finance to the real sector over the last 5-year period.



## FINANCIAL CAPITAL

### 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

#### SUPPORT WITH NON-CASH LOANS

In 2020, TSKB, which also provides trade finance solutions with non-cash loans including letter of credit and similar products required by the investment and infrastructure projects, realized a total of USD 750 million in non-cash loans to its clients in 2020.

Throughout the year, the Bank focused on meeting the non-cash loan needs of its clients in the renewable energy, iron and steel, chemicals, plastics, packaging and textiles sectors.

#### FURTHER STRONG SUPPORT FOR TURKEY'S DEVELOPMENT IN 2021

In 2021, in addition to renewable energy, TSKB will continue to provide financing for projects of companies which help increase the resilience of companies which have been adversely affected by the COVID-19 pandemic, and which support women's employment, which target energy and resource efficiency, and which carry out production operations for export activities that reduce the current account deficit.

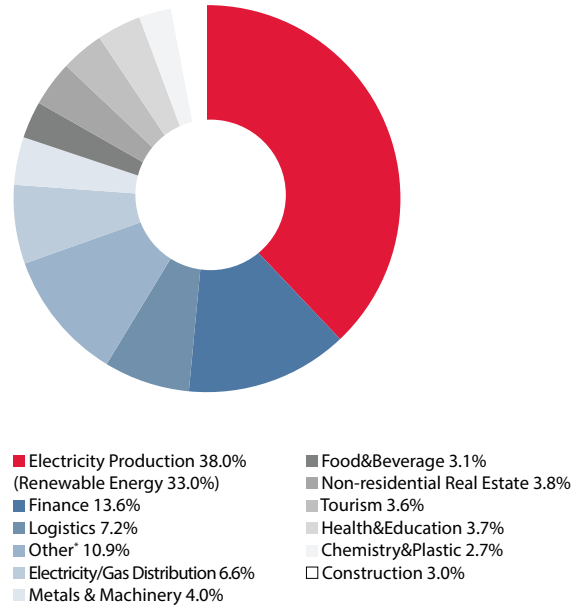
In addition, the Bank aims to step up its support for Turkey's development by continuing to provide financing within the scope of investment and working capital needs for regions marked as being of priority for development. In 2021, TSKB aims to maintain its contributions to an investment culture which has a social impact and which is environmentally friendly and supports efforts to combat climate change.

#### LOAN MONITORING ACTIVITIES

At TSKB, the selection of companies and projects for lending is carried out through the credit analysis, allocation and monitoring functions with a comprehensive and prudent perspective. This helps sustain the high quality of the loan portfolio.

At TSKB, projects undergo a rigorous evaluation process based on impartial, comprehensive and in-depth reviews conducted by financial analysts, engineers and economists. Backed by this approach,

#### SECTORAL BREAKDOWN OF TSKB'S OUTSTANDING LOAN PORTFOLIO IN 2020 (%)



\*Other (Textile 4%, Automotive 1%, Packaging 1%, Other 5%)

TSKB's non-performing receivables ratio has declined to historically low levels.

It is important to generate revenue and funds in foreign currency. The majority of loans provided for the investments and working capital financing of companies consist of foreign currency loans. A significant portion of TSKB's loan portfolio consist of the loans provided to renewable energy projects which will remain strategically important in the future, helping to ensure that the asset quality of the portfolio will remain high. The presence of guaranteed prices in foreign currency and additional incentives for domestic elements in these projects create a natural hedging mechanism and increases the efficiency and solvency of these projects.

Economic developments since 2018 have brought loan restructurings to the agenda in the banking sector. In this process, TSKB brought some of the loans in its portfolio, mainly multibank consortium loans and loans in project financing, into a process of restructuring and/or refinancing. Some of the restructuring was completed and another phase of the process reached the completion stage following a successful round of negotiations.

The vast majority of the stage 2 and 3 loans are project loans disbursed to companies which continue to operate. Among the loans in the process of being restructured, contract amendments are carried out through business models prepared with detailed analysis and the cash flows and amortization plans of the projects are harmonized. Additional measures are also taken aimed at additional fund inflow and loan reduction with the sponsor's contribution, additional collateralization and asset/stock sales.

In the coming period, TSKB aims to provide non-operating cash inflows through IPO or the direct sale of some structured loans. Within the scope of these activities, TSKB aims to reduce the indebtedness of the relevant groups and render the loans payable under a healthy structure thanks to the positive impact of an improving economic conjuncture.

At the end of 2020, approximately 80% of stage 2 and 3 loans were subject to restructuring.

At the end of 2020, the restructuring process for most of the loans had been completed, while the process of restructuring non-performing loans in the sector is expected to continue in 2021.

As of 31 December 2020, the ratio non-performing receivables, which is dominated by two large restructured loans, in TSKB's total loan portfolio stood at 4.3%. TSKB does not foresee a significant change in the ratio of non-performing receivables in 2021.



## CLOSE COOPERATION WITH DEVELOPMENT FINANCE INSTITUTIONS

Funding through development finance institutions accounts for 65% of the funding structure of TSKB, being one of the well known Turkish bank in the international financial markets. 80% of these resources are guaranteed by the Ministry of the Treasury and Finance of the Republic of Turkey. The Bank works in close cooperation with development finance institutions such as the World Bank (IBRD), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the German Development Bank (KfW), the Islamic Development Bank (ISDB), the French Development Agency (AFD), the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the Japan Bank for International Cooperation (JBIC), the Austrian Development Bank (OeEB), the Asian Infrastructure Investment Bank (AIIB) and the China Development Bank (CDB).

### The AIIB Covid-19 Loan

TSKB signed a loan agreement with the AIIB for an amount of USD 200 million on 30 July 2020 to mitigate the negative effects of the Covid-19 pandemic on the economy. This loan is under the AIIB's Covid-19 credit program (Covid-19 Crisis Recovery Facility-CRF). This loan aims to support the working capital and liquidity needs of corporations operating in Turkey's infrastructure and manufacturing sectors, which have been adversely affected by Covid-19.

The resources provided under the repayment guarantee of the Ministry of Treasury and Finance of the Republic of Turkey will be used in infrastructure sectors such as transport, energy, water, sustainable cities, health, information and communication technologies, and for companies in production sectors identified in line with the AIIB's strategy.

## STRONG RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2020, TSKB maintained close contact with domestic and foreign banks in line with its resource diversification and product development goals, and focused on diversifying its relations and collaborations. The Bank also maintained intensive and effective communication with rating agencies.

### The TSKB MTN Programme

TSKB kept its "Medium Term Note Program" up to date with the 144A/RegS rule in order to add a U.S. investor to its potential investor base in a possible issuance. In 2020, TSKB issued the first Eurobond in the sector and opened up the market for other banks in their eurobond issuances. As of the end of 2020, the share of Eurobonds including the Bank's subordinated bond among TSKB's resources (excluding equity) stood at 23%, while the total size stood at USD 1.4 billion.

### Syndicated Loan Facility

On 9 July 2020, TSKB signed the syndicated loan agreement under the coordination of Commerzbank with the participation of a total of 12 banks, including Citibank, the Agent. The syndicated loan of USD 150 million, with a term of 367 days, consists of two

different tranches, one being in Euro denomination and the other in USD. All-in cost of the facility is Libor and Euribor +2.75%, representing a pricing improvement compared to previous year.

The Bank attaches importance to enriching its existing bilateral relations with domestic and international financial institutions and establishing new relations. Developments in the markets will be closely monitored in 2021, while opportunities in the bond market, syndication, bilateral loans and structured borrowing will continue to be evaluated in line with the Bank's cash flow and needs.

### Loan Agreement Linked to ESG Risk Rating

Rated as the top bank in Turkey and among the top banks globally for its ESG Risk Rating, TSKB has signed ESG-Rating Linked Loan agreement with the participation of 4 banks from 4 different countries. TSKB will obtain better loan pricing through its endeavor to improve the Bank's ESG Risk Rating as a reflection of its sustainable and inclusive development agenda for the Turkish economy.





## FINANCIAL CAPITAL

### 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

#### IN THE COMING PERIOD...

##### CONTINUING RESOURCE DIVERSITY AND STRONG COLLABORATIONS

In line with its growth plans and future strategy, TSKB will continue to work to obtain funding from international and supranational development financing institutions. In this context, research and relationship development efforts will continue with the aim of establishing relations with new institutions such as the CDB (the China Development Bank), which joined TSKB's creditors in 2019, as well as the creditor institutions with which TSKB works in cooperation. The Covid-19 pandemic has increased the importance of cooperation and solidarity of development banks in the face of global crises.

##### THEME DIVERSITY SHAPED ACCORDING TO THE NEED

TSKB continues its work dynamically with the focus on theme development activities on the axis of sustainable and inclusive financing model.

In addition to providing funding under the climate change, environment, low-carbon economy and efficiency themes as well as social areas such as equal opportunity, women's employment and support for companies operating in regions earmarked as development priority regions and which have been affected by the influx of Syrian refugees under temporary protection, funding was provided within the scope of Covid-19, which has affected Turkey and the whole world in 2020.

The global funds to be provided in the coming period are intended to be in compliance with the United Nations Sustainable Development Goals (the SDGs), the Paris Climate Agreement and Turkey's economic programme and development plan. Work on innovative themes such as clean and renewable energy, adaptation to climate change, youth employment, supply chain protection and development are planned to continue.

Work on the potential effects of the European Green Deal announced by the European Commission on the Turkish industry will also be carried out.

In addition to supporting the financing of the targets set in national and international development strategies, the new funding to be provided are also expected to be diversified around themes which can meet the needs of private sector companies operating in Turkey.

In 2021, TSKB will continue to develop cooperation in alternative areas such as joint project finance (co-financing) on the axis of funding diversification and product development targets, as well as securing loans directly from development finance institutions.

Support for the SDGs is one of the strategic priorities of TSKB, which stands out for its know-how and good practices in the fields of the ESG. The Bank continues to create alternative funding instruments and innovative products by drawing on its know-how and experience. Given the current funding structure, all of the Bank's themed resources are focused on ESG areas. Loan activities will continue to take shape in line with resources by taking into account the effect of the SDGs.





### LONG TERM FUNDING SOURCES OBTAINED BY TSKB BETWEEN 2016 AND 2020

	Loan	Amount	Maturity
	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
<b>2016</b>	EIB - TSKB Energy and Environment Loan/B	EUR 100 million	12 years
	AFD - Women Employment and Occupational Health&Safety Loan	EUR 100 million	10 years
	CEB - SME Loan	EUR 100 million	7 years
	Eurobond (Green/Sustainable Bond)	USD 300 million	5 years
	TSKB Sustainable Tier II	USD 300 million	10NC5
<b>2017</b>	IFC - Sustainable Climate Loan	USD 75 million	7 years
	EBRD - MidSEFF III (Mid-Size Sustainable Energy Financing Facility III) Loan	USD 85 million	7 years
	Eurobond	USD 350 million	5 years
<b>2018</b>	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
<b>2019</b>	CDB - Manufacturing sector, SME, Energy, Infrastructure, Health and Education Loan	USD 200 million	8 years
	AFD - Women's Empowerment Loan	EUR 85 million	10 years
<b>2020</b>	AIIB - Covid-19 Loan	USD 200 million	4 years

**Bank's thematic loans are all aligned with ESG areas.**



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS



### TSKB - WHOLESALE BANKING LOANS (APEX) KEY INDICATORS

Program Name	Year	Agreement Amount	Number of beneficiary companies (as of end 2020)	Current Status of the Programme
<b>SMEs (Women's Employment and Prioritized Regions)</b>				
Inclusive Access to Finance Project Loan (IncA2F)	2018	USD 200 million	279	Ongoing
<b>Support to SMEs and Export</b>				
Innovative Access to Finance Project Loan	2018	USD 250 million	34	Ongoing
Innovative Access to Finance Project Loan (IA2F)	2014	USD 250 million	231	Completed
<b>Support to Export</b>				
EFIL IV Supplementary Loan	2011	USD 300 million	137	Completed
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303 million	211	Completed
<b>SMEs</b>				
TSKB FUNDING *	2017	EUR 150 million	340	Ongoing
CEB V APEX	2016	EUR 100 million	960	Completed
CEB IV APEX	2013	EUR 100 million	416	Completed
CEB 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

\* Re-disbursement of paid back credits

\*\* Part of the agreed amount (EUR 90.9 million) is extended as an APEX loan.



## TSKB successfully completed the issuance of the world's first sustainable lease certificate in 2020.

### A PIONEER OF WHOLESALE BANKING IN TURKEY

As the pioneer of wholesale banking in Turkey, TSKB continued to lend its thematic international wholesale banking funds to financial institutions in 2020. In addition to its existing cooperation with leasing companies and commercial banks, TSKB started to work with participation banks and factoring companies within the scope of the "Innovative Access to Finance Project Loan" (IA2F) secured from the World Bank in 2014.

TSKB reuses the SME-themed wholesale banking funding which it disbursed in past years and successfully collected, to provide financing to financial leasing companies, commercial banks, participation banks and factoring companies with their proceeds. In this context, USD 253 million obtained from loan collections have been re-disbursed over the last four years.

TSKB continued to transfer USD 200 million of the "Inclusive Access to Finance Loan" (IncA2F), provided by the World Bank in 2018, to commercial banks and leasing companies through wholesale banking.

So far, TSKB has cooperated with 30 intermediary financial institutions under APEX Banking, and it has achieved a credible performance. In 2020, a total of USD 120 million in loans were disbursed through wholesale banking activities. Wholesale banking loans comprised an 8% share of TSKB's total portfolio as of the end of 2020.

### Contribution to employment

TSKB disbursed a total of USD 373 million to 1,551 SMEs in the last three years through wholesale banking loans, creating 1,079 new jobs.

### A STRONG START TO 2021 ON THE BACK OF THE ACHIEVEMENTS IN INVESTMENT BANKING IN 2020

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

In 2020, the capital markets in Turkey were volatile due to the negative effects of Covid-19 and the diminished interest of foreign investors in Turkish assets.

In the market, small-scale public offerings took place until November, which were not of interest to TSKB. On the other hand, as a result of the low rates of return on deposits for a significant part of 2020 and the lower share of deposits in savings, there was a significant expansion in the domestic investor base with an interest in the capital markets.

The number of investors in the equity market nearly doubled from the 682,000 at the end of 2019 to reach approximately 1.9 million by the end of November 2020.

Domestic investor interest has been a major driving force for Borsa İstanbul and played a leading role both in the increase of the index and in the recent revival of the IPO market.

An increase in the number of foreign investors entering the Borsa İstanbul has been observed again, albeit on a slow and small scale, since November.

TSKB expects an increase in the number of medium- and large-scale IPO to increase in the coming period based on the prediction that foreign investor interest will continue and the BIST index will maintain a positive course in US Dollar terms. Accordingly, TSKB aims to successfully conclude the IPO which it is currently working on within 2021.

TSKB realized six debt instrument issuances in 2020. Despite the fluctuations in the debt instruments market and investor concerns, TSKB concluded a successful year, ranking first among all intermediary financial institutions for real sector issuances.

In 2020, the first lease certificate issuances in the food sector with Altınmarka Gıda, the first issuances in the logistics sector with MNG Cargo were realized. In addition to these transactions, the issuance of the first sustainable lease certificate realized with Zorlu Energy was the first, not only in Turkey but also in the world.



## FINANCIAL CAPITAL

### 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

In 2020, two of the three companies issuing borrowing instruments for the first time were brought into the capital markets through TSKB.

In 2021, TSKB will continue to be one of the most important players in the market in the field of debt instruments both in terms of bond and lease certificate issuances, and will continue to bring new players into the capital markets.

While 2020 had been expected to be a more active year after 2019, which was a weak year in terms of mergers and acquisitions, the negative impact of the pandemic has led to low transaction volumes in 2020 compared to previous years.

The TSKB Corporate Finance team was recognised as being one of the most successful groups in the market in 2020 with TSKB carrying out three mergers and acquisitions during the year. In addition, it completed six successful issuances in the field of Capital Markets.

TSKB will continue to carry out its successful work and reinforce its position among leading institutions in 2021, when the effects of the pandemic are expected to diminish and macroeconomic indicators improve, and with the leverage effect that will have been created by the transactions closed in 2020.

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

In the uncertain and volatile environment of 2020, TSKB, a key player in the money and capital markets, was focused on maximizing returns by taking into account the risk factors of its balance sheet. On the other hand, the Bank provided opportunities for corporations to hedge against financial risks with the derivatives it offered to its clients.





Thanks to its flexible balance sheet structure, TSKB took maximum care in managing risks while increasing its revenues by properly seizing the opportunities created. The Bank successfully managed its foreign exchange position within the framework of treasury policies by taking into account risk factors and market conditions.

In 2020, TSKB funded nearly all of its TL securities portfolio with the Bank's equity. During the same period, transactions carried out in the swap market came to the forefront in the management of TL denominated liabilities. The TL funding provided in this way enabled effective cash flow management, providing an advantage in the total funding cost. In addition, the Bank continued to pursue short-term TL placements carried out in markets such as the Takasbank Stock Exchange Money Market and the BIST Borrowing Instruments Market, contributing positively to profitability during the year.

With its cash capital, TSKB prefers to invest in the risk-free, high-yielding securities within the framework of its liquidity management plan. As of the end of 2020, 68% of the Bank's securities portfolio of TL 4.6 billion consisted of the CPI-linked and other variable interest rate assets, and 32% of its securities portfolio consisted of fixed interest rate assets. The average maturity of the TL securities portfolio is 2 years with an average return of 13.7%. The yield of the Bank's USD 405 million FX securities portfolio was increased through Eurobond purchases carried out in 2020.

With market volatility increasing the need for financial protection and given the Bank's proactive approach to its clients, the Bank also performed well with the sales volume of derivatives trading and treasury products for hedging. At the same time, an extensive range of research products consisting of daily newsletters and market comments were presented to clients.

In 2020, TSKB's risk management activities gained importance both through its own balance sheet management and through derivative transactions of its clients. The successful liquidity management helped ensure that the fluctuations in the markets did not negatively affect the Bank's balance sheet.

#### **VALUE-ADDED SERVICES AND SOLUTIONS SHAPED BY THE ADVISOR BANK PERSPECTIVE**

In addition to corporate banking and investment banking, TSKB also provides value-added services and solutions needed by the business world and investors with the advisory solutions deriving strength by its expertise in financial and technical evaluation, economic research (see Intellectual Capital) and sustainable banking.

In addition to managing the Bank's know-how and experience in the fields of economic, financial and engineering in an effective and high-quality manner for advisory, the TSKB Advisory Services offer services with a wide range of products in the departments listed below, which are under a single roof, with the objectives of transforming this experience into economic benefit and diversifying revenue,

- Advisory Services and Marketing,
- Economic Research,
- Financial Advisory
- Engineering and Technical Advisory

Through its advisory services, TSKB plans to be a long-term business and solution partner for its clients within the scope of its strategic objectives.

TSKB provides following services

- financial planning and strategy, feasibility, restructuring, valuation and sectoral analysis within the scope of strategic financial advisory

- technical situation assessment, feasibility, industrial transformation, energy/resource efficiency and project-based incentive reporting within the scope of technical advisory
- macroeconomics export strategy and development banking advisory within the scope of economic research

TSKB provides some of its services, which it shapes under the approach of being a advisor bank, through synergistic collaborations with its subsidiaries, TSKB Real Estate Appraisal and ESCARUS. The Bank guides domestic and foreign investors with its visionary advisory services offered in the field of real estate. The Bank is also involved in providing boutique solutions in the integration process of the globally accepted approaches in sustainability into the Turkish business world.

#### **Further successful advisory projects carried out in 2020**

In 2020, TSKB successfully completed advisory projects and exceeded last year's performance with new client acquisitions in different sectors and product types.

The contract amount of advisory services increased by 10.4% YoY in 2020. With its strength in multidisciplinary service delivery, TSKB is committed to developing its advisory services and providing its experience and know-how to an increasing number of clients in the coming period.

TSKB shares its experience and know-how with the business world and finance sector by embodying its experience and know-how through the consolidated and inclusive approach of its financial, technical and economic analysis competency. TSKB will continue to diversify its support for sustainable and strong development in the coming period.



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

### VALUE GENERATED IN SYNERGY WITH GROUP COMPANIES

#### YATIRIM FINANSMAN

##### Turkey's first capital market institution

Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman) was Turkey's first capital market institution. The company was founded on 15 October 1976 under the leadership of TSKB and İş Bank and with the participation of 13 major banks.

##### An extensive product range with a strong and widespread service network

Yatırım Finansman, which is one of Turkey's long-established financial institutions, offers individual and institutional investors at home and abroad with fast and reliable access to the capital markets with its branch network, online services and mobile applications within the framework of its "Broadly Authorized Brokerage Institution" status.

With the YFTRADE, YFTRADEMOBILE, YFTRADEINT applications developed by Yatırım Finansman, investors add value to their savings regardless of time and space by carrying out reliable transactions without a broker in domestic and/or foreign markets with laptops, desktop computers or next generation smart devices.

Yatırım Finansman was awarded the Bronze Stevie Award in 2019 in recognition of its YFTRADEMOBILE application as a result of its investments in smart technologies.

The company, which TSKB has been involved with in various investment banking projects, continues to offer financial instruments which are appropriate for its clients and which add value to their investments with its employees, who make the most of their knowledge, experience and competencies.

##### A brokerage institution operating on the principle of responsible profitability

In 2020, Yatırım Finansman fulfilled its objectives of providing a satisfactory return to both its investors and stakeholders within the framework of the principle of "Responsible Profitability".

Yatırım Finansman, which is 95.8% owned by TSKB as a participation share, is distinguished in the market as one of the most preferred leading brokerage institutions, leading the sector with 9 service providing points throughout Turkey, the TL 161.4 million of equity which it reached in 2020 and in excess of TL 10.1 billion of client assets.

##### A "client-oriented service" approach which continues without interrupting business continuity

During the pandemic, Yatırım Finansman, which took measures to protect employee health, switched to a rotating distant home working model such that there would be the fewest number of employees in its Head Office and branches. It thus ensured business continuity in such a way that there was no disruption to service quality.

##### Equal Opportunity Policy

Believing that women's employment is one of the important points of leverage for economic development, Yatırım Finansman, which supports a stronger presence of women in the business world and has implemented a number of projects promoting gender equality within the organization for this purpose, documented its sensitivity in this regard being awarded the KAGİDER Equal Opportunity Certificate (EQC) and the ESCARUS Gender Equality Program Certificate (GEPC) in 2020.

##### Contributing to efforts to promote the sector

Due to the pandemic in 2020, Yatırım Finansman met university students on online platforms, continuing both financial literacy activities and work in the field of employer branding. During the same period, the company became the main sponsor of the "My Virtual Stock Exchange" competition organized by the Istanbul

Technical University Investment Club.

Yatırım Finansman plans to raise the recognition of capital markets and continue to carry out activities which contribute to financial literacy without interruption with the title of Turkey's first brokerage institution.

##### Growth target by increasing the number of active clients

Yatırım Finansman aims to increase the number of active clients by 15% each year, both through existing clients to be activated and new acquisitions. Another goal of the Company is to increase its share the share of revenue it obtains from these clients in total revenues to 15%.

Yatırım Finansman, which stands out with its technological infrastructure and innovations in the field of mobile applications in the sector, will continue to respond to the needs of its clients with an innovation-based perspective and invest in online platforms with its technological infrastructure.

##### TSKB Real Estate Investment Trust (TSKB GYO)

##### Working to a goal of keeping an efficient real estate portfolio sustainable

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) is a real estate investment company set up with the aim of creating and developing an efficient real estate portfolio.

TSKB GYO, in which TSKB holds an 89.13% stake, draws strength from the Bank's 70 years of corporate know-how and experience.

As a capital market institution, TSKB GYO can invest in real estate, real estate projects, real estate-based rights and capital market instruments. It is able to establish common partnerships to realize certain projects and engage in other activities permitted by the relevant communiqué of the CMB (Capital Markets Board).



### An investment strategy focused on balance

TSKB GYO's investment strategy, whose core values are consistency, transparency, quality, social responsibility, client focus and teamwork, is based on growth, sustainability and risk management through project development.

The capital of the Company, which stood at TL 10 million at its establishment, was increased to TL 500 million with the increase realized in the third quarter of 2020.

The asset size of TSKB GYO amounted to TL 603 million as of the end of the year with the area of rentable area under its management amounting to 66,000 m<sup>2</sup>.

At the end of 2020, the TSKB GYO real estate portfolio includes the Pendorya Shopping Center with an enclosed area of approximately 80,648 m<sup>2</sup> and rentable area of 30,573 m<sup>2</sup> located alongside the E-5 Highway in Pendik, Istanbul, which entered service on 17 December 2009; two office blocks with an enclosed area of 17,827 m<sup>2</sup> in Fındıklı, Istanbul; the Tahir Inn in Karaköy, Istanbul; the Divan Adana Hotel in the Adana city center, which opened for business in September 2015, and half of the shares of its independent areas.

### TSKB GYO and capital markets

Among the objectives of TSKB GYO, which is subject to capital markets legislation, is to contribute to the real estate investments to gain place in capital markets as a liquid and sound investment alternative. TSKB GYO's shares have been open to the public since April 2010 under the TSGYO ticker and were trading on the Borsa İstanbul Sub-Market as of 2020.

### A goal of improving profitability

TSKB GYO will maintain its efforts to increase the rental income of Pendorya Mall in 2021 in line with its investment strategy within the scope of increasing existing rental income and diversifying the portfolio. Similarly, the Company aims to increase its profitability by benefiting from the competitive advantage in the region where Divan Adana Hotel is located.

## TSKB REAL ESTATE APPRAISAL

### The industry leader and a point of reference in the field of appraisal and consultancy

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Gayrimenkul Değerleme-Real Estate Appraisal) was established in 2002 with the aim of providing appraisal services.

TSKB Gayrimenkul Değerleme provides independent and impartial services to its clients in areas such as appraisal, consultancy, machinery-equipment valuation, most efficient and best use analysis, feasibility analysis, market research and sector analysis, tender consultancy and process management, urban transformation consultancy, construction progress and investment monitoring consultancy, concept development consultancy, reviewing appraisal reports, green appraisal and appraisal for trading transactions where foreigners are a party.

The Company carries out all of its activities in accordance with current legislation and the International Appraisal Standards on the basis of confidentiality.



For detailed information concerning Real Estate Appraisal, please see the Intellectual Capital section.

## ESCARUS

### A leading consultancy company in Turkey's sustainable development

Founded in 2011, TSKB Sustainability Consultancy (ESCARUS) has provides services with its project-oriented approach built on the expertise, experience and know-how developed by TSKB in different disciplines.

ESCARUS, which aims to be the leading consultancy company in Turkey's sustainable development, carries out its activities in three main segments:

- Operational Sustainability
- Strategic Sustainability
- Research, Reporting and Training

ESCARUS, which carries out innovative and pioneering projects with its specialised team of professionals, designs and implements high value-added consultancy solutions in fields such as energy, environment, operational efficiency, environmental and social assessment, technical evaluation, management systems, climate change, gender equality, compliance with sustainable development goals and sustainable finance.



For detailed information about ESCARUS, please see the Intellectual Capital section.

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	150	21.75	www.isfaktoring.com



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

### TSKB'S STOCK PERFORMANCE AND INVESTOR RELATIONS ACTIVITIES IN 2020

TSKB, which contributed significantly to the formation of the capital markets in Turkey, was offered to public in 1986. TSKB's shares are traded on the BIST 30 on the Star Market (Yıldız Pazar) under the "TSKB" ticker. TSKB shares maintain their place in the BIST Corporate Governance and BIST Sustainability Index. TSKB's free float ratio is 38.9%.

In the first half of 2020, the Borsa İstanbul stock market experienced a decline due to geopolitical developments and the uncertainty surrounding the pandemic. However, the stock market recovered with the support of the steps taken by the institutions managing the economy and the strict monetary policy implemented by the CBRT starting from the second half of 2020.

The BIST-100 index went up by 29% to close 2020 at 1,477. The banking index wrapped up the year at 1,558, with a decline of 3%. The share price of TSKB concluded the year at TL 1.78, having started the year at TL 1.21, marking a gain of 47% by positively decoupling from the BIST-100 and the banking index.

The average daily trading volume of TSKB shares, which stood at 33 million lots in 2019, reached 192 million lots in 2020, while the Bank's market capitalization is approximately TL 5 billion (USD 688 million). The proportion of the Bank's free float shares which are held by foreign investors stands at 14.5%. As of the end of the year, the Bank's price/book ratio was 0.88, while its Price/ Earnings ratio was 7.6. TSKB shares continued to trade in the BIST 30 in 2020.

TSKB is covered by 16 brokerage houses. As is routine every year, meetings were held with domestic and

## TL 5 billion

**TSKB's market capitalization surged up by 47% YoY to TL 5 billion (USD 688 million) in 2020**

	2016	2017	2018	2019	2020
TSKB Closing Share Price (TL)	0.98	1.20	0.81	1.21	1.78
Change (%) **	10.7	23.0	-32.7	50	47
The BIST Banking Index	129,549	171,378	117,737	160,169	1558
Change (%) **	8.0	32.3	-31.3	36	-2.7
The BIST 100 Index	78,139	115,333	91,270	114,425	1477
Change (%) **	8.9	47.6	-20.9	25.4	29.1
Relative to BIST Banking Index (%)	2.4	-7.1	-2.0	9.8	51.2
Relative to BIST 100 Index (%)	1.6	-16.7	-14.9	19.2	14

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

foreign investors in 2020 with oral and written requests for information being answered.

During the year, informative teleconferences continued to be held for investors and analysts following the announcement of the financial statements in each quarter, and the questions received were answered in detail. The TSKB investor relations presentations can be accessed on the Bank's website.

 <https://www.tskb.com.tr/en/investor-relations/presentations?year=2020>

In 2021, investor relations activities will continue with the aim of increasing contact with domestic and foreign investors. In addition, the Bank aims to increase communication with the ESG and sustainability investors.

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

In 2020, TSKB continued to support the economy despite the difficult conditions brought about by the pandemic. It also strived to maintain a healthy balance sheet structure and effective risk and liquidity management. The Bank's total asset size grew by 24% in TL terms to reach TL 51.5 billion at the end of the year, while its asset volume in USD terms stood at USD 7 billion in the same period. At the end of 2020, 23% of the Bank assets were denominated in Turkish Lira (TL) and 77% in Foreign Currency (FX). Interest-yielding assets comprised 94% of the Bank's total assets. Due to the negative effects of COVID-19, TSKB revised its expectations twice during the year.

In 2020, TSKB disbursed a total of USD 1.3 billion in cash loans within the scope of Corporate Banking, Project Finance and APEX Banking activities. In parallel





with the Bank's resource structure, 89% of the Bank's loans are FX denominated. The cash loan portfolio, which expanded by 24.5% to TL 39.1 billion in 2020, declined by 0.8% on fx-adjusted basis due to weak investment demand and the early redemption of some loans. The share of gross loans in total assets increased from 75.7% at the end of 2019 to 76% at the end of 2020.

Investment loans account for 67% of the Bank's loans while 20% of the loans are working capital loans. The remainder are loans disbursed through the APEX wholesale banking channel. When we look at the currency breakdown of loans, including foreign currency indexed loans, it is seen that 47.5% of the loans are denominated in US Dollars, 42% in Euros and 10.5% in TL.

Investments in electricity generation stand out with a 33% share of the loans disbursed in 2020. These were followed by loans to the financial sector (20%) and loans to the textile sector (10%). In terms of the sectoral distribution of the loan portfolio at the end of the year, 38% of the loans consist of loans disbursed to the electricity generation sector and 14% to the financial sector. These sectors are followed by the metal and machinery, electricity and gas distribution, logistics, chemical and plastics, construction, tourism, real estate, food and beverage and education and health sectors, all of which exhibit a balanced distribution each accounting for 3-8% of the total loans. Sustainability-themed loans comprise 74% of the total loan portfolio.

The share of non-performing loans in total loans, which stood at 3.5% at the end of 2019, edged up to 4.3% at the end of 2020. The ratio of group 2 loans in the total portfolio stood at 11.1%. The restructuring of approximately 80% of group 2 and 3 loans was completed during the year. As a result of the uncertainty and negative effects caused by the pandemic, prudent provisioning policy was maintained. Coverage ratio stand at 13.3% for the group 2 loans and 44.6% for group 3 loans. With the increased coverage ratio at the end of 2020, the net

cost of risk was realized higher than expected, at 226 basis points. CoR is expected to fall back to below 175 basis points on the back of the expected economic recovery in 2021.

The total size of the portfolio of securities, which after loans constitutes the next most important share of assets with a 14.7% share, amounted to TL 7.5 billion at the end of 2020 with growth of 13.4% compared to the previous year. 67% of the portfolio of securities is in TL. At the end of the year, 60% of the portfolio of securities consisted of the securities available for sale while 40% of the portfolio consisted of securities held to maturity. During the year, the ratio of CPI-Linker Securities in the TL portfolio increased from 49% to 51% from 67% to 69%. The average maturity of the portfolio, nearly all of which is funded by free equity, is 2.1 years.

85% of the liability portion of the Bank's balance sheet consists of liabilities denominated in FX in accordance with the asset composition. The funds borrowed went up 22.6% YoY to TL 32.3 billion. Nearly all of these funds consist of medium and long-term funds provided from abroad in foreign currency, with 58% of the loans obtained under the guarantee of the Ministry of Treasury and Finance of the Republic of Turkey.

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

TSKB's shareholders' equity increased by 18.1% to TL 6.1 billion compared to the previous year. However, its share in the liability total decreased from 12.4% to 11.9% due to the rise in exchange rates. The capital adequacy ratio (CAR) stood at 19.4% (16.6%, excluding BRSA regulations) on a solo and consolidated basis as of the end of 2020. TSKB's tier 1 capital adequacy ratio stood at 13.4% (11.3%, excluding BRSA regulations).

the ratio of the Bank's free capital, which was TL 4.6 billion as of the end of 2020, to total assets was 9%. All free capital is utilized in liquid assets.

When the Bank's P/L statement is examined, it is seen that net interest income for 2020 increased by 3.5% to approximately TL 2 billion. The net interest margin increased from 4.2% to 4.5% in 2020 due to changes in the US Dollar/TL exchange rate, interest rates and inflation data, as well as increase in the CPI-linker security yields.

As a result of the organizational restructuring carried out last year, fee and commission revenues increased by 68.5% with the support of advisory activities that gained weight in the Bank's service range.

The total personnel and other operating expenses surged up by 10.1% to approximately TL 222 million. The cost/income ratio fell down from 13.4% to 11.3%.

The total sum of donations and aid made by the Bank during the year stood at TL 785,000. The total expenditures undertaken within the framework of social responsibility projects stood at TL 431,000. TSKB's profit before provisions and tax went up by 32.9% YoY to TL 1.8 billion, while its net profit for the period decreased by 5.6% to TL 732.8 million due to a 106% increase in provision expenses. The Bank recorded a 13% Return on Equity in 2020.

#### TSKB LOAN CLASSIFICATION (as of 31.12.2020)

	Share in Total	Coverage Ratio
Stage I	84.6%	1.3%
Stage II	11.1%	13.3%
Stage III	4.3%	44.6%
Total	100.0%	4.5%



# FINANCIAL CAPITAL

## 2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

### FINANCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

Financial Guidance (Bank-Only) (%)	2020 Target	2020 Realization
FX-Adjusted Loan Growth	flat	-0.8
Fees & Commissions Growth	>50	68.5
OPEX Growth	~10	8.9
Net Interest Margin (adjusted*)	~4.5	4.5
Return on Tangible Equity Ratio	>14 (**)	13.6 (**)
Cost / Income Ratio	~12	11.3
Capital Adequacy Ratio (***)	~15.5	16.6
NPL Ratio	<3.5	4.3
Net CoR	<200 basis points	226 basis points

\* Swap adjusted.

\*\* Excluding forbearance.

### 2021 TARGETS



FX-adjusted Loan Growth

**3-5%**

TSKB aims to expand its loan volume by 3-5% in 2021, adjusted for the exchange rate effect.



Fees &amp; Commissions Growth

**20%**

Commissions obtained from Advisory and Investment Banking are expected to continue to support revenues at an increasing rate.



Return on Equity Ratio

**14%**

On the back of the activities in 2021, the Return on Equity ratio is predicted to reach 14%.

## 2021 TARGETS

Financial Guidance (Bank Only)		Expectations for 2021 (%)
<b>Growth</b>		
<b>F1</b>	Foreign Currency Adjusted Loan Growth	3-5
<b>Profitability</b>		
<b>F2</b>	Fees & Commissions Growth	~20
<b>F3</b>	Net Interest Margin (adjusted*)	~4
<b>F4</b>	Return on Equity	~14
<b>Efficiency</b>		
<b>F5</b>	Operating Expenses	<20
<b>F6</b>	Cost / Income Ratio	~14
<b>Solvency **</b>		
<b>F7</b>	Capital Adequacy Ratio	~15.5
<b>F8</b>	Tier I Ratio	~10.5
<b>Asset Quality</b>		
<b>F13</b>	Stage II Loans Ratio	~15
<b>F14</b>	NPL Ratio	~4.5
<b>F15</b>	Net CoR	<175 basis points

\* Swap adjusted.

\*\* With the transition to TAS27, 2021 guidance has been given for Return on Equity.





## CAPITAL



### HUMAN CAPITAL



#### HUMAN RESOURCES AND THEIR DEVELOPMENT IN 2020

**TSKB maintains its investments in human resources (HR) and their development under a sustainable approach which takes into account the requirements of its corporate strategy.**

During the pandemic, 87% of the Bank's employees were working remotely. At the same time, the most stringent measures were put in place in all areas of the Bank and a healthy working environment was provided by introducing new rules and regulations in accordance with the needs of the pandemic.

#### The Pandemic

Depending on the course of the Covid-19 cases in our country, measures were taken in all areas in order to ensure that the activities carried out with clients and other stakeholders could be performed in a complete and effective manner, while placing paramount importance on the health of the Bank's employees. The work had largely got underway as of March as ratio of employees working remotely stood at 87%. Short-, medium- and long- term human resources planning, backup of critical employees and business continuity plans were carried out. During the pandemic, the Bank's senior management, HR department and other teams were in constant communication with employees, with employees were directed not to be at the Bank unless necessary. On the other hand, stringent measures were put in place in all areas of the Bank and a healthy working environment was provided by introducing new rules and regulations in accordance with the needs of the pandemic. According to the results of the employee satisfaction survey, the satisfaction ratio among the Bank's employees with regard to the measures taken by the Bank to tackle Covid-19 stood at 83%.

TSKB implemented numerous digital HR projects in 2020.

At TSKB, the digitalisation got underway at the beginning of 2020 with the aim of providing more user-friendly HR projects applications and to increase the traceability and transparency of the system.

The establishment of system infrastructure, the performance management system and the targets screen, employee self-service, personal management, organizational schemes and recruitment management modules were launched on the digital HR platform.

Through the TSKB Technical Knowledge and Skills Library, the department-based technical knowledge and skills, which are defined for each title and at different levels, was updated. The Technical Knowledge and Skills Library is used to support the employees with horizontal career movements and to monitor them, in addition to determining their developmental needs.

**During the pandemic, the Bank's senior management, the Human Resources department and other service units were in constant communication with employees and employees were directed to work from home unless necessary.**



## Continuous Value Creation

### Internal Transfer Project

14 employees were given the opportunity to work in different departments

### Rotation Project

5 employees were given the opportunity to experience different disciplines

### Future Projection



- » External factors are shaped by expectations, suggestions and feedback from HR representatives as well as the Bank's strategy.
- » The Human Capital targets are set out on page 75.

In 2020, a training and development journey was launched for all title groups under the motto of "Become a Partner to the Future". In this context, the Competency Development Program was offered to all title groups below the level of manager, the Managerial Development Programs with a range of content was presented to group managers and managers, and the Leadership Development Program was presented to executives.

The Critical Position Backup work was carried out in order to bring a systematic practice to the backup efforts while preparing TSKB for the future. In this context, one-to-one plans were drawn up in parallel with development needs for the potential employees who are substitutes.

With the Internal Transfer Project, which supports horizontal career movements within the scope of improving the work diversity, technical knowledge, skills and competencies of the TSKB employees, 14 employees were offered the opportunity to change their departments and five employees were offered

experience in different departments with the Rotation Project.

Since 2017, volunteer HR representatives from every department have been communicating their opinions and feedbacks to the HR and acting as a bridge in the transparent transfer of HR applications to the teams.

In order to transfer the questions, opinions and suggestions and needs in pandemic period individual meetings were held with the HR representatives and periodic meetings continued in 2020.

TSKB HR team met with the departments separately and informed all departments about HR practices in 2020.

12% of the TSKB banking staff assumed the role of HR Representative until 2021. These applications will continue in 2021.



# HUMAN CAPITAL

## HUMAN RESOURCE DEVELOPMENT IN 2020

### Flexible and remote working models

In addition to the Flexible Working Model application at TSKB, in order to adapt to changing working conditions and improve efficiency, the Remote Working Model, which was launched as a pilot application in 2019, was implemented throughout the Bank in March 2020 with the pandemic. Early preparations had already been carried out before, helping to speed up the transition and lead to a considerably more comfortable process during the pandemic.

TSKB is expected to move towards a hybrid model of working in 2021 as the pandemic is left behind.

### Work towards an agile organization

In addition to the goal of more efficient human resources, an agile working methodology is being applied with the support of in-house coaches in pilot projects.

In order to spread the agile culture, the organizational agile transformation strategy and goals were conveyed to the senior management and HR representatives. In addition, the work units in agile projects participated in various training programs.



**In addition to the Flexible Working Model application, the Remote Working Model, which was launched as a pilot application in 2019, was implemented throughout the Bank in March 2020 with the pandemic.**

In order to spread the agility culture throughout TSKB, a group of volunteer agile coaches was formed in 2020, with work carried out and plans regarding the rollout of the agile transformation drawn up during the meetings.

TSKB plans to increase the number of agile projects in 2021.

### TSKB Technology and Entrepreneurship Platform

The TSKB Technology and Entrepreneurship Platform was established in cooperation with the Turkish Entrepreneurship Foundation (GirVak) in 2018 in order to keep up with the rapid change taking place in the world and to develop new ways of doing business and innovative perspectives. As a continuation of the platform, Entrepreneurship Day was held in March 2020 with the participation of TSKB employees, angel investors, entrepreneurs and representatives from the GirVak Foundation.

Within the scope of the TSKB Technology and Entrepreneurship Platform, three entrepreneurs were hosted in 2020, with a series of inspiring speeches and two trend conversations hosted by GirVak.

The entrepreneurial spirit and excitement of the GirVak representatives was brought together with the expert banking experience of employees in the idea workshop held within the scope of the Covid-19 and Digitalization. The working groups developed ideas to tackle the problems they identified.

The SDG Rating Tool project, which is one of the projects introduced in 2019, continues its activities with a larger team in cooperation with TSKB and Escarus. With the "SDG Tool", the contributions of companies operating in our country to the "United Nations 2030 Goals" will be calculated and development areas will be determined.

### Strong employer branding

In 2020, TSKB employees took part in various courses and programs in six different universities within the scope of strong employer branding.

The content of the seminars and courses attended are determined for the needs of undergraduate and graduate students, but are mostly focused on the subjects of Finance and Development Economics. In addition to discussing technical subjects in the courses they had attended, employees of the Bank also conveyed the reflections of academic knowledge which they had learned at university and in business life to the students. While the collaborations with target universities continued, presentations were offered in accordance with the target audience in virtual career fairs.

### Interaction with young talent

TSKB engages with young talents at a very early stage of their career, during their university years. In 2020, 14 interns worked on a part-time basis in the Bank for at least 6 months. They have the chance to start work as a junior associate with their graduation after the internship period, which is no different from real work experience.

### Training Catalogue

The focus of the Education Catalogue, which is one of the most important tools of the continuous development goal, has been the webinars presented in different topics from stress management to positive psychology and new business models in a manner which covers all employees in parallel with the pandemic in 2020.

### TSKB family strengthens with the addition of 46 new employees

In 2020, a total of 46 new employees, including 10 new graduates and 36 experienced employees joined TSKB to meet the needs of different departments, within the scope of the recruitment activities carried out.

### Bonus payments to employees

In line with TSKB's strategie and long-term targets, TSKB's employees are paid an annual bonus in line with risk management structures and by taking into account ethical values and internal balances.

As with HR practices, gender equality is taken into account in remuneration management. The balance in the remuneration ratio is constantly paid regard.

### Digital HR Platform

With the digital HR platform, efforts were carried out to simplify HR processes and increase their effectiveness and visibility, to provide a modern and contemporary infrastructure, to manage processes in an integrated structure and to establish a culture of feedback and open communication.

In 2021, work will continue to ensure that the end-user-oriented feedback, retention, training and development, career management portal modules are available for use.



### TRAINING PROGRAMS AT TSKB

TSKB aims to develop its human resources with tailored training programs.

In line with this goal, the Bank conducts various training and development activities with the aim of developing the technical and professional knowledge of its employees as well as their personal skills. The average training time per employee was 60 hours in 2020.

Training programs are offered to TSKB employees on various topics in addition to mandatory trainings, as well as technical and vocational training. Orientation and mentoring system processes are put in place to ensure that employees who have just joined TSKB are able to adapt quickly to the organization.

TSKB offers different programs to employees at all levels in order to improve their managerial skills and to prepare them for the future. In this context, one-to-one coaching is provided to department managers, and training programs are organized in Turkey and abroad to improve their leadership skills.

### “BECOME A PARTNER FOR THE FUTURE” PROGRAM

In 2020, TSKB started its development journey with a time-spanned and integrated structure which will pave the way for permanent learning under the motto of “Become a Partner for the Future”. In this context, the Leadership Development Program is offered to managers, and the Managerial Development Programs are offered to group managers and executives with different content. An integrated online training program consisting of four modules, with a focus on different leadership competencies in each module containing classroom exercises, assignments and discussions was offered.

Meanwhile, the Competency Development Program was offered to employees up to the manager level. Individual Development Plans measure the degree of readiness of TSKB employees for senior positions, and are prepared based on the potential evaluation and the 360 degree competency assessment, which are carried out within the scope of the potential and organizational development work. In 2019, the Individual Development Plans formed the basis of the Competency Development Program. Within the scope of this program, TSKB employees determined two competencies they sought to develop together with their managers. In 2020, they started their development journeys within the framework of the integrated learning model with both online training content and in-class training and homework with follow up webinars. In addition, employees were involved in the organization of the programs, enabling the implementation of training with the action development forms prepared.

In 2021, one-to-one coaching, domestic and abroad development training programs, as well as participation in technical/professional training programs will be provided to support the development of employees determined within the framework of critical position backup work.



# HUMAN CAPITAL

## HUMAN RESOURCE DEVELOPMENT IN 2020

### The TSKB Gender Equality Policy was published.

[https://www.tskb.com.tr/i/assets/document/pdf/TSKB\\_Gender\\_Equality\\_Policy.pdf](https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Gender_Equality_Policy.pdf)

#### Employee Engagement and Satisfaction

TSKB believes that the most successful way to develop a business is through the observations and evaluations of people within the institution. For that purpose, employee satisfaction surveys are conducted periodically at TSKB. With these surveys, TSKB regularly measures the level of satisfaction and engagement of its employees and takes action in line with its improvement targets by providing where its employees are able to submit their thoughts and feedbacks. a routine platform where its employees are able to submit their thoughts and feedbacks.

In 2020, 321 employees responded to the employee satisfaction survey with a participation rate of 83%.

**Under the motto of “Become a Partner for the Future”, in 2020 TSKB embarked on its development journey, which will span time periods with an integrated structure and will pave the way for continuous learning.**

TSKB's efforts to improve employee engagement were reflected in the survey's findings.

In order to carry out practices on an equitable basis without adopting any different approaches in processes, necessary reporting was conducted within the scope of full compliance with the Equal Opportunity Model (EOM) in 2020, meeting all responsibilities stipulated under the model with all required actions being taken. The process of obtaining the EOM certificate for TSKB Real Estate Appraisal and Yatırım Finansman, TSKB's subsidiaries, was successfully completed. ESCARUS was awarded the Advanced Gender Equality Program certificate (GEPC).

TSKB Gender Equality Policy was published to determine TSKB's responsibilities and principles regarding its internal and external practices and in drawing up strategies which respect gender equality.

TSKB carried out its investments in human resources and their multifaceted development with determination and with an approach that takes into account the requirements of its corporate strategy.

TSKB offers a variety of programs at all levels in order to develop managerial skills and prepare its employees for the future.

### Key Findings of the Employee Satisfaction Survey

The **employee engagement score increased by 1.8%** in the last 1 year. One area which contributed to the increase in the employee engagement score was the process management demonstrated throughout the pandemic.

The **highest score in employee satisfaction** was achieved in the **Process Management in the Pandemic**. The related work was also reflected in the increased scores in Collaboration and Teamwork and In-house Communication.

The job satisfaction area has exhibited an increasing **trend over the last 3 years**.  
**The score for Career Planning**, the area to record the greatest progress compared to the previous year, also increased in 2020.

**Increases were observed in almost all areas**, including career planning, job satisfaction, collaboration and teamwork, interdepartmental communication and performance management, which were determined as priority development areas for 2020.





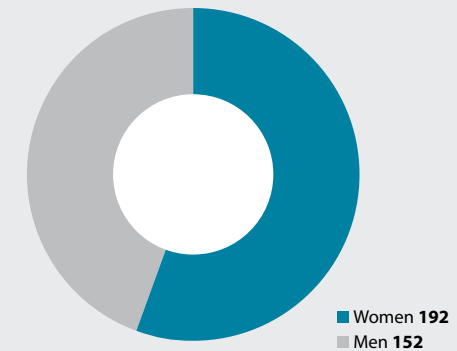
## TSKB AND ITS SUBSIDIARIES – KEY DEMOGRAPHIC INFORMATION

Number of Employees - as of 31.12.2020	TSKB	TSKB Real Estate Appraisal	TSKB GYO	Escarus	Yatırım Finansman
Female	192	55	6	7	52
Male	152	41	5	4	63
21-30 (age)	101	37	2	2	24
31-40	161	56	5	6	34
41-50	69	3	2	3	53
51+	13		2		4
Headquarter	341	51	11	11	75
Branch	3	45			40
PhD	2			1	1
Masters	117	5	3	7	23
University	218	77	7	3	87
College	5	8			1
High School	1	6	1		1
Elementary School	1				2

## THE NUMBER OF WOMEN WORKING AT TSKB

# 192

The ratio of women among employees at TSKB stood at 56%.





## HUMAN CAPITAL

### EFFICIENCY AND PROCESS IMPROVEMENT PROJECTS

**In 2021, digitalization and innovation will remain priority topics for TSKB.**

#### EFFICIENCY AND PROCESS IMPROVEMENT PROJECTS

In 2020, TSKB carried out a number of projects in the areas of client satisfaction, quality of service, decision support systems, loan allocation, monitoring and compliance within the framework of the goals and corporate architectural principles set out in its strategic plan. In addition, R&D and project design studies were carried out in the fields of digitalization and innovation.

New applications were implemented within the scope of Robotic Process Automation (RPA). Training programs were carried out to roll out the agile management model and agile coaches and volunteer teams were established.

While the activities determined in the project plan were carried out with agile working methodology, work was carried out by the agile coaches on compliance with the methodology. All processes were remodelled on the TSKB process management model and application, which were revised for the purpose of monitoring the Bank processes in an integrated structure.

The Chatbot (Digital Assistant) application for intrabank use was launched. Improvements were made to the main banking applications with the user experience principles and new software technologies. revisions were continued to make business continuity and emergency response applications more effective.

In the information technology (IT) infrastructure, new technology and integration projects, which will support TSKB's strategic goals, continued in 2020. Improvements were made to infrastructure, applications, and workflows in order to support the distant efficient and secure work. New tools have been deployed for use in order to improve code security and quality.

Within the scope of compliance with legislation, reporting and integration work was carried out within

official institutions. The Sandbox security solution was implemented to detect and block malware and links within emails originating from outside the organization. The Application White List security solution was commissioned on server and user computers to only allow approved applications to run.

In 2021, digitalization and innovation will remain priority topics for TSKB. Analysis and improvement work will be carried out in accordance with the renewed model for the TSKB processes. Emphasis will be placed on security and the use of new technologies in the IT infrastructure. Revision work in the main banking applications based on new technologies and user experience principles will continue.



2020 TARGETS	2020 REALIZATIONS
<b>Increase in employee efficiency by conducting R&amp;D and project design studies on digitalization and innovation throughout TSKB.</b>	
The Bank aims to enrich Robotic Process Automation with new processes in 2020.	The second Hackathon event on the RPA was held. All processes proposed in the first and second Hackathons were evaluated within the scope of the RPA. The work carried out for the implementation of the processes, which were prioritized for 2020 following the evaluation, were completed.
The Bank aims to spread the agility culture throughout the Bank in 2020 with volunteer Agile Coaches from within the Bank and to increase the number of agile projects.	Work on agile projects included in the 2020 Master Plan was carried out. In order to enhance the culture of agility, coaching practices were carried out for the project teams. The Agility Mail field was opened on the intranet and content related to agility was shared.
HR Applications software will be purchased to offer a modern, contemporary infrastructure which will be used by employees, will manage processes in an integrated structure and embed a culture of feedback and open communication.	Purchasing was realized. Efforts continue to launch software on a module basis.
<b>Increase employees' engagement through training and development programs and alternative projects in line with their competencies and potentials.</b>	
The Bank aims to start international and/ or domestic programs and one-to-one coaching activities selected from high-reputation institutions on leadership for those employees with high potential and high performance	In the last quarter of the year, one-to-one meetings were held with all managers for the process, which had been put on hold due to the pandemic. The requirements were reviewed and the agreement was reached for 2021.
Under the new development program program, managers will be included in the "Leadership Development Program", senior managers and managers will be included in the "Managerial Development Program", and senior managers and the rest of the banking staff will be included in the "Competency Development Program".	The programs, which were set up in an integrated structure involving online training and virtual classroom activities with the participation of different title groups, were concluded in December. The Leadership and Managerial Development Program included training in 4 different modules while the Competency Development Program included training on 2 competencies selected by the participants.
The Bank aims to adapt the results of the four main systems consisting of the Performance Management System, the 360 Degree Feedback Survey, Technical Information Skill Management and Potential System to the Bank in the most efficient way in 2020.	It took place at the beginning of 2020 and 4 modules were made available to the employees by launching the application in-house. Efforts were conducted to ensure that the applications were user-friendly and to increase the traceability of the process. Remote support was actively provided by providing informative documents to the employees.
The Bank aims to increase the motivation of employees to innovate in different fields of interest and subjects.	Within the scope of the TSKB Technology and Enterprise Platform, which we organized in partnership with the Enterprise Foundation, we met entrepreneurial names online on a number of occasions and held the Idea Workshop with the Covid-19 & Digitalization theme.
The Bank aims to maintain the focus on equal opportunity across the institution.	Our Bank was awarded the "Advanced Gender Equality Program Certificate" (GEPC) issued by our subsidiary ESCARUS The TSKB Gender Equality Policy was published. Two of our subsidiary companies subsidiaries the process of obtaining the EOM certificate.



# HUMAN CAPITAL

## HUMAN CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

### 2020 KEY PERFORMANCE INDICATORS

Average remote working ratio for 2020*	87% ✓
Ratio of women in the management	51% ✓
Ratio of women among total employees	56% ✓
Ratio of women on the Board of Directors	27% ✓
Gender pay gap **	0.04 ✓
Employee engagement score	80.4%
Average training hours per employee per year	59.56 ✓
Employee turnover rate ***	0%
Participation rate in employee satisfaction survey	83% ✓
Increase in the rate of employee loyalty, performance management, training and development satisfaction - aspects of Employee Satisfaction Survey - compared to 2019	2.6%
Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey	83% ✓

\* As of March, a remote working model has been implemented throughout the Bank.

\*\* The gender pay gap is given according to the median value.

\*\*\* The turnover rate among high-performing employees.



## FUTURE TARGETS



H1

TSKB aims to complete the new processes, the development of which continues within the scope of Robotic Process Automation, start the new processes upon completion of their evaluations and continue to increase the number of processes.



H2

In 2021, TSKB aims to carry out coaching activities with project teams in order to reinforce the methodology in agile projects, and to organize training programs and workshops to roll out the culture of agility.



H3

In 2021, the Bank plans to open all human resources processes for the use of the employees in integration with the digital HR platform.



H4

In 2021, TSKB aims to ensure the participation of employees determined within the framework of the critical position backup work which carried out within the scope of organizational development activities at TSKB, with the aim of supporting their development.



H5

In 2021, TSKB aims to reinforce the “Managerial Development Program” and to deepen the knowledge of employees taking part in the “Competency Development Program”, and to follow up their development in line with the targets they set.



H6

Work on bringing end-user-focused HR systems into practice, still in progress in 2021, will continue. In the Performance Management System, which has been actively used for the last two years, work will be carried out to identify areas of improvement and to run the System more effectively.



H7

TSKB aims to keep the spirit of in-house enterprise alive in the coming period by coming together with employees and entrepreneurs, and to bring employees together with key figures from the world of entrepreneurship.



H8

TSKB aims to attach importance to gender equality within the institution to continue to act in line with the principle of equality in the HR practices.



H9

TSKB aims to obtain the ISO 45001 Occupational Health and Safety Certificate in 2021.



H10

In order to strengthen sustainability governance in a manner which covers the entire Bank, TSKB aims to deepen the sustainability awareness within the Bank.



## CAPITAL



### NATURAL CAPITAL



#### TSKB SUSTAINABILITY MANAGEMENT SYSTEM

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

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

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

##### Sustainability Policy at the heart of the TSKB SMS

In 2012, TSKB expanded the scope of its Environmental Policy, which was published in 2006, and revised Policy as a Sustainability Policy. As of the end of 2020, the TSKB SMS is managed under the Sustainability Policy dated 26 February 2015.

The Bank supports the Sustainability Policy with complementary policies under the environmental, social and governance themes. In the annexe of the TSKB Environmental and Social Impact Policy, one of the complementary policies, a List of Activities Not to be Financed was published, setting out the activities which TSKB would not finance on behalf of responsible banking.

##### SUSTAINABILITY COMMITTEE

All sustainability works across the Bank are managed by the Sustainability Committee, which was established in 2014. At the end of 2020, the Committee comprised of three Board Members, the CEO and two Executive Vice Presidents. ✓

The appointment of members to the Sustainability Committee is carried out with the decision of the Board of Directors.

The mission of the Committee is the coordination of the work and business plans, which will be created within the scope of TSKB's sustainability strategy vision and targets.

##### Steps to achieve more inclusive and effective results

In 2019, a structural change was made in the management of the TSKB Sustainability Committee and the Executive Vice Presidents of the Bank's main activities, such as Project Finance, Corporate Banking, Loan Allocation and Monitoring, Budget Planning, Financial Institutions and Investor Relations, Development Finance Institutions and Engineering and Technical Advisory were selected as committee members.

In 2020, with the participation of the Bank's CEO as a committee member, the Sustainability Committee evolved into a structure which would manage all targets and strategies under a macro perspective.

This structural change is aimed at planning and managing the Bank's core strategies and targets and ensuring the Committee's work and objectives in a more inclusive, effective and synchronized manner.

The work of the Sustainability Committee is supported by the Sustainability Subcommittee and working groups, in which representatives from different departments of TSKB are active members. In 2020, Sustainability Committee meeting took place 3 times. ✓



## Continuous Value Creation

### SUSTAINABLE AND INCLUSIVE FINANCE LOAN PORTFOLIO

**74%**

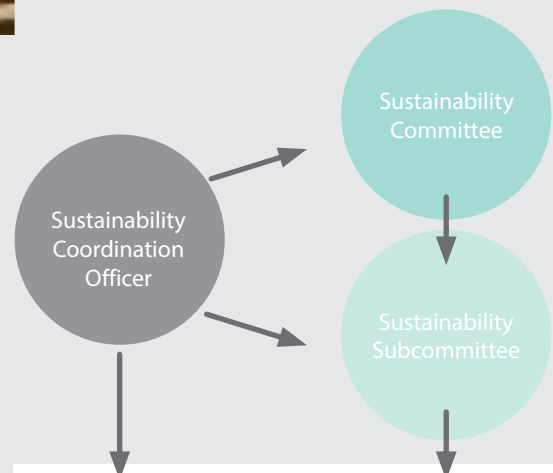
The focus on sustainability comes to the forefront in loan activities

### SHARE OF RENEWABLE ENERGY IN THE LOAN PORTFOLIO

**33%**

TSKB's strong contribution to the transition to a low carbon economy

### TSKB'S SUSTAINABILITY ORGANIZATION



#### WORKING GROUPS

- Climate Risks
- Cooperation with International Initiatives on Dialogue with the Stakeholders
- Gender Equality
- ISO Standards Management
- Reporting
- Sustainability Index
- Sustainability
- Social Impact Analysis

#### Sustainability Subcommittee

In parallel with TSKB's vision, strategy, targets and business plans on sustainability and climate change, a Sustainability Subcommittee was established in order to roll out sustainability activities throughout the Bank and to ensure their integration with all business processes.

The Sustainability Subcommittee, which consists of managers and employees from different departments, reports its activities to the TSKB Sustainability Committee.

The annual targets of the Sustainability Subcommittee are determined in a clear and measurable manner and the targets are reflected in the performance scorecards of all subcommittee members.

The internal coordination of the sustainability structure at TSKB is carried out by the Sustainability Coordination Officer. In 2020, Sustainability Subcommittee meeting took place 7 times.

## Future Projections



- » While TSKB continues to support the transition to a low carbon economy, it will intensify its works on harmonizing the risks and opportunities presented by climate change with its activities, and on analysing its impacts. The Bank's contribution to the SDGs will form a prominent part of its strategic focus.
- » The Natural Capital Targets are set out on page 94-95.



## NATURAL CAPITAL

### TSKB SUSTAINABILITY MANAGEMENT SYSTEM

## Eight working groups operating in synergy

### Work on sustainability at TSKB

Sustainability work was conducted in an integrated manner by eight different Working Groups under the Sustainability Subcommittee.

### Activities of the Sustainability Subcommittee Working Groups in 2020

In 2020, at TSKB, sustainability work was carried out by eight different Working Groups under the Sustainability Subcommittee.

The sustainability working groups held numerous meetings throughout 2020 within the scope of their projects. The appointments of members to the Working Groups are carried out by the TSKB Executive Committee. As of the end of 2020, 15% of TSKB's employees were members of the sustainability working groups. The objectives of the Sustainability Committee are distributed to every employee involved in this structure and are considered within the scope of employee performance evaluation.

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

### An ESG Strategy enriched by the outcomes of Sustainability Meetings

The Bank carried out brainstorming sessions with its employees during its Sustainability Meetings in a bid to deepen its sustainability strategy and promote its integrated perspective. The outcomes of the workshops organized by Escarus will guide Bank's ESG strategy in the coming period.

### The Climate Risks Working Group

Climate change poses financial risks to the banking sector but also presents a variety of opportunities. From this point on, a Climate Risks Working Group was established within the sustainability structure in 2020.

The Group is working to measure, manage and integrate the Bank's financial risks from climate change into the bank risk model.

### The Gender Equality Working Group

TSKB joined the International Development Finance Club (IDFC)'s Management Committee in 2019 and continued its activities as the Chairman of the Gender Equality Working Group within the Club in 2020.

The Group prepared and published the Bank's Gender Equality Policy in 2020.

### The ISO Standards Management Working Group

With its work in 2020, the Group successfully completed the Bank's ISO 14001 and ISO 14064 audits.

### The Reporting Working Group

The Group closely followed the latest trends in domestic and global good practices and coordinated the sustainability reporting of the Bank, in particular the Integrated Annual Report, by closely following internationally recognized standards.

### The Social Impact Analysis Working Group

The Social Impact Analysis Working Group continued to closely follow examples of national and international good practice to develop TSKB's social impact analysis approach in its lending activities and to prepare training programs.

### The Stakeholders Dialogue Working Group

The Group carried out the communication activities of the Bank's sustainability efforts and continued to share information at the zero carbon events and on the sustainability-themed portals.

**In 2020, the Climate Risks Working Group represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI Task Force for Climate-Related Financial Disclosures (TCFD), in which TSKB was the only participant from Turkey, and carried out work in line with the TCFD recommendations.**





In addition to carrying out detailed matching and reporting work on the contribution of investment and working capital loans disbursed by TSKB to the SDGs, the Group also carries out work to set out actions which will increase the social benefits of its investments.

#### The Sustainability Index Working Group

The Sustainability Index Working Group managed relations with the BIST Sustainability Index and international sustainability assessment companies. Within the scope of the evaluations carried out, the Group coordinated the improvements and work to be implemented within the Bank.

With the support of the work implemented, TSKB maintained its position in the BIST Sustainability Index in 2020. TSKB ranked first in Turkey on the basis of the ESG risk rating given for institutions evaluated by Sustainalytics.

#### The Cooperation with International Initiatives on Sustainability Working Group

The Group, which started its activities in 2020, was established in 2019 to determine the need for resources for studies to be carried out together with international and supranational financial institutions, which the Bank cooperates with under the scope of sustainability, and international initiatives such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc., and organizes the work. The Group carries out its activities within this scope.

#### DECLARATIONS TO WHICH TSKB IS A SIGNATORY

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

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

#### Under the IDFC Finance in Common Summit\*;

- Sustainable and Resilient Global Recovery Declaration
- Biodiversity Declaration
- Gender Equality and Women's Empowerment Declaration



\* IDFC Finance in Common Summit is the first global meeting of development banks around the world, organized in November 2020 under the leadership of IDFC.



## NATURAL CAPITAL

### TSKB SUSTAINABILITY MANAGEMENT SYSTEM

**TSKB undertakes the directorship of the Coordination Unit jointly with the Latin American Development Bank (CAF), the German Development Bank (KfW) and the French Development Agency (AFD) within the scope of the IDFC Climate Facility, which was established in 2019 in order to support the climate finance activities carried out by IDFC members.**

In the Finance in Common Summit, TSKB announced its support for the Joint Declaration on Public Development Banks supported by the IDFC, the ELTI and the D20-LTIC (D20-Long Term Investors Club), of which it is a member, as well as joint declarations on themes such as climate and gender equality.


The IDFC Climate Facility was established in 2019 to support the climate finance activities of the IDFC members. TSKB conducts the directorship of the Coordination Unit, which includes the Latin American Development Bank (CAF), the German Development Bank (KfW) and the French Development Agency (AFD) as part of the IDFC Climate Facility.

TSKB will maintain its position as the Chairman of the Banks Association of Turkey Working Group established in 2020. In this context, the bank coordinated the work to update the "Sustainability Guide for the Banking Sector", which was published in 2014, and includes good practices of the contribution of the banking and financial sector to sustainable development.






TSKB is also actively involved in the roundtable work conducted by TUSIAD (the Turkish Industrialists and Business People Association) and supports the projects developed. In this context, the “New Climate Regime Report through the Lens of Economic Indicators” project, which was prepared in 2020 under the leadership of the Environment and Climate Change Working Group, was supported both through the consultancy and membership of the Steering Committee. The report can be found at the link below.

 <https://tusiad.org/en/press-releases/item/10643-tusiad-s-the-new-climate-regime-through-the-lens-of-economic-indicators-report-was-introduced>

Another activity carried out was the “Turkey’s Gender Equality Report Card in 81 Provinces” project. The report, which was prepared under the leadership of TOBB (the Union of Chambers and Commodity Exchanges of Turkey) and TSKB in cooperation with TEPAV (the Economic Policy Research Foundation of Turkey), was shared with the public through an online meeting. The report can be found at the link below.

 <https://www.tskb.com.tr/web/307-4601-1-1/tskb-site-en/en-hakkimizda/tskdbden-haberler-en/gender-equality-scorecard-for-81-provinces-in-turkey-published>

### TSKB has been applying the ERET model in all of the investment projects it has focused on since 2007

The Environmental and Social Risk Evaluation Tool was designed in 2005. The model was developed with the aim of;

- resetting the differences in competence and experience between experts in the environmental and the social risk categorization process of projects,
- ensuring the utilization of a consistent and standardized methodology
- providing risk management in a manner
- which would cover specific risks.

## THE ERET MODEL

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

In line with the principles of responsible banking, TSKB attaches importance to the determination of the potential risk and impact revealed in the evaluation of the environmental and social impacts of projects under an objective approach.

This process requires a comprehensive assessment, and the extent of the environmental and social impacts found is discussed in cooperation with investors prior to lending. In light of the findings obtained as a result of the project evaluation, issues which need to be managed and the actions to be taken are determined and shared with investors. At TSKB, lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on the Bank’s website.

TSKB is the representative of a knowledge banking culture. TSKB also undertook pioneering applications in the measurement of environmental and social risks. With the start of the loan process, the follow-up of the relevant project plans is carried out by TSKB engineers or independent environmental and social consultants. TSKB meticulously monitors the implementation of these plans and manages the environmental and social risks of the projects it finances.

Since 2007, the Bank has been evaluating all investment projects that are suitable for financing independently of the investment amount and/or credit limit within this scope. The ERET Model addresses the potential environmental impacts of projects such as waste, emissions and noise, as well as potential social impacts such as impacts on stakeholders, expropriation methods, physical and economic displacement.

In all investment projects funded by the ERET Model, a sustainability approach is implemented that meets the environmental, social and occupational health and safety (OHS) standards of development finance organizations.

The ERET Model is also in line with the criteria laid out in the Equatorial Principles, which are prepared on the basis of the standards set out by the IFC and the World Bank and applied by banks operating in developed economies.

### ERET - a model with a multi-disciplinary assessment structure in investment loans

The environmental and social risk rating methodology of the ERET Model is constantly reviewed by TSKB teams. According to changing conditions, the weighting of high-risk topics can be increased in the calculation process and risky issues are highlighted.

In 2020, the ERET Model was reviewed with a comprehensive study and the necessary updates were carried out to keep the model in line with the environmental and social risk management principles in the international finance sector. In this context, the revised standards of the World Bank and the 4<sup>th</sup> published version of the Equator Principles were scrutinised. The implementation processes of the ERET Model at TSKB were also evaluated and business processes were improved upon.



## NATURAL CAPITAL

### THE ERET MODEL

The current project risks measurement model consists of 35 questions covered under five main headlines. The project risks measurement model is based on the examination of the environmental and social impacts which may result from the investment project being evaluated for financing by TSKB, and the possible legal and financial obligations under the current and forward-looking perspective.

According to the environmental and social risk score obtained as a result of the evaluation, work to mitigate and monitor the impacts is structured within a plan prepared in cooperation with the investor. The environmental and social risk scores of the investment projects evaluated in 2020 were as follows.

	Project
High risk <b>A</b>	4
Medium-sensitive risk <b>B+</b>	11
Medium risk <b>B-</b>	19
Low risk <b>C</b>	3

The high-risk projects evaluated in 2020 consisted of investments in hydroelectric power plants, wind farms, ports and the iron and steel industry. Environmental and social risk assessment work was carried out for these investments and Environmental and Social Action Plans were established for effective risk management. Investments with medium-sensitive risk include investments in wind energy, solar energy, biomass and biogas energy. Environmental and Social Action Plans are drawn up for these investment, and their application followed.

As required under TSKB's risk management approach, the environmental and social risks arising from the current activities of the project owners/investors being financed are also measured through the use of the ERET Model. The environmental and social risks borne by clients are taken into account by the Credit Committee in the loan decision process. The evaluation within the ERET Model, which is defined as the client risk, consists of 12 questions under 5 headings.

The environmental and social risk scores of the

evaluated in 2020 were as follows.

	Company
High risk <b>A</b>	3
Medium-sensitive risk <b>B+</b>	14
Medium risk <b>B-</b>	16
Low risk <b>C</b>	3

With its structure designed to measure investment and investor risk, the ERET Model is a very powerful tool at TSKB's disposal in the effective management of environmental and social risks.

In addition to contributing to the project evaluation process, the ERET Model, which has been implemented since 2007, has also allowed TSKB to create a depth of intellectual capital and know-how. On the other hand, the environmental and social risk evaluation also helps raise awareness within the institutions receiving financing. TSKB generates value in accordance with the principle of generating responsible revenue for both the Bank and its stakeholders with the ERET Model it has implemented.

#### The environmental and social risk assessment model in working capital loans - ERET for Working Capital Loans

TSKB supports the sustainable development of the country with its development and investment bank mission respecting the environment and society. TSKB has demonstrated that it stands by the private sector with the working capital loans which it provided in 2020.

TSKB has expanded the scope of its environmental and social risk management approach in a manner to include working capital loans. TSKB created the ERET for Working Capital Loans (Environmental and Social Risk Evaluation Tool for Working Capital Loans), which is a tool to measure working capital loan risk, also playing a leading role in this area.

In 2020, tool development process was completed and the application was put into practice. TSKB is committed to monitoring the environmental and social impacts and performance of clients who receive working capital loans.

In 2020, investment loans covered by environmental and social risk evaluation accounted for 67% of TSKB's loan portfolio. This share will continue to grow in the coming period after the evaluation of working capital loans within the scope of the ERET Model.

#### Environmental impacts arising from operational activities also addressed within scope of the Sustainability Management System (SMS)

TSKB meticulously manages the environmental impacts of its operational activities.

In the work carried out within the scope of the SMS, the consumption of electricity, water, natural gas, etc. is periodically monitored and efforts towards reduction targets are implemented. Variations in natural gas and electricity consumption caused by climate change are evaluated with susceptibility.

TSKB also aims to increase the rate of waste brought to the economy by sending it to recycling facilities with its waste management plan. The SMS sets out the aim of reducing the amount of waste per person through the work carried out to raise awareness. SMS training is provided to all new TSKB employees to ensure that the concept of sustainability is internalized.

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

## THE APPLICATION OF ZERO CARBON BANKING

### Zero carbon banking implemented at TSKB since 2008

Climate change and the loss of biodiversity are among the leading global threats to the future of humanity. The rapid transition to a low carbon economy is vital in ensuring a sustainable world.

TSKB, which internalizes global emerging trends with a proactive approach in line with its pioneering identity, started measuring its carbon footprint in 2006. The Bank's measurement of its carbon footprint was audited by an independent consultant in 2008, and the zero carbon banking project was initiated in line with the report prepared. TSKB calculates the greenhouse gas emissions arising from its operational activities and offsets its emissions through the voluntary carbon markets. TSKB, which launched zero carbon banking, has been carrying out its activities in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard since 2012.

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

Strategic reduction targets were established in an effort to reduce business travel, electricity for lighting and natural gas consumption for heating, all of which cause greenhouse gas emissions, by taking 2009 and 2010 as a reference.

As of 2009, the Bank had started to provide electricity needs from renewable energy resources within this strategy.

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

- Measuring greenhouse gas emissions and having the calculations verified by independent organizations,
- Establishing strategies and projects to reduce greenhouse gas emissions,
- Offsetting emissions through voluntary markets and contributing to the development of in-house and external capacity development in this regard.

This project, which was realized during periods when the limit for free consumers was similar to the levels of consumption of industrial manufacturers, served to emphasize TSKB's vision and priorities.

### Extending the carbon neutral approach to social projects

TSKB extended its carbon neutral approach, which it applies within the organization, to the social projects. The Bank aims to spread awareness of climate change and the importance of reducing the carbon footprint in society. TSKB has purchased more than 4,500 tonnes of Gold Standard Carbon Certificates since 2015 in order to offset its emissions arising from its banking activities. Renewable energy technologies such as wind power and landfill gas are used to offset the Bank's carbon footprint.

The IKSV Istanbul Music Festival, "The Women Stars of Tomorrow" concert, which TSKB sponsored in 2020, took place online due to the Covid-19 pandemic. The carbon footprint of the "Women in Business Life from a Social Perspective" conference held at the French Palace in Istanbul, hosted jointly with the AFD within the scope of Women's Day on 8 March, was offset through the purchase of carbon credits.

**As of 2009, the Bank has started to provide electricity needs from renewable energy resources.**





## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### RISKS, OPPORTUNITIES AND MANAGEMENT APPROACH

Climate change is associated with the increase in the concentration of greenhouse gases in the atmosphere resulting from human activity since the onset of the industrial revolution. Climate change is considered to be one of the most significant global problems to threaten the future of humanity through environmental, social and economic dimensions. Scientific studies indicate that climate change will have far reaching consequences for every region and water basin in Turkey. In line with what is expected to happen in the world as a whole, studies also predict that in Turkey, average temperatures will increase, water resources will diminish significantly, agricultural yields will drop with more restricted access to food, sea levels will rise, drought and desertification will gain pace, the frequency and effects of extreme weather events such as flood and prolonged forest fires will increase, with biodiversity negatively affected by all these developments.

Extreme climate events and long term climate change presents physical risks with the potential to disrupt or adversely affect economic activity, while the orientation towards a low carbon economy presents transition risks. Changes in climate policies, technology, consumer preferences and financial market sentiment within the framework of transition risks create large fluctuations in asset values in various sectors and drive costs upwards. In these circumstances, financial institutions may be exposed to risks of a magnitude proportional to their positions in enterprises which do not set their business models in accordance with the green economy.

In the fight against and adaptation to climate change, rapid and extensive transformations are needed in agriculture, energy, industry, transportation, waste management and cities.

While this requires financial institutions to cooperate at a global level, every step to be taken against physical and transitional risks presents an important opportunity for financial institutions which are active in the area of sustainability financing such as TSKB. In this context, the physical and transitional risks arising from climate change will pose a serious threat in the short, medium and long term. However, provided they are well planned for and managed, they will bring valuable business opportunities for both financial institutions and companies operating in different sectors.

TSKB issued its Climate Change Declaration in 2016. In 2020, the Climate Risks Working Group, which was established within the scope of the Bank's sustainability structure, developed capacity and carried out various activities for the determination, measurement and reporting of portfolio risks within the framework of both physical and transition risks. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

### TSKB's applications regarding climate risks rewarded with a B rating by the Carbon Disclosure Project (CDP)

TSKB implemented many firsts and pioneering applications in the Turkish finance sector in the transition to a low carbon economy. The Bank was one of the first stakeholders in Turkey to part in the Carbon Disclosure Project (CDP), which is one of the world's most important initiatives in the field of climate change.

Companies are evaluated by the CDP on the basis of an impartial and comprehensive methodology on topics such as the management of environmental risks and the determination of environmental objectives. Companies receive a rating of between A and D- according to their statements or examples of good practice at the leadership level.

TSKB voluntarily discloses its greenhouse gas emissions and strategies to combat climate change within the scope of the CDP. TSKB, which has received the leadership award on climate in recent years, maintained its success in 2020, when the global Industry average was C. With its B rating, TSKB confirmed that the Bank was on its way towards realizing its ambitious targets in the field of sustainable development.

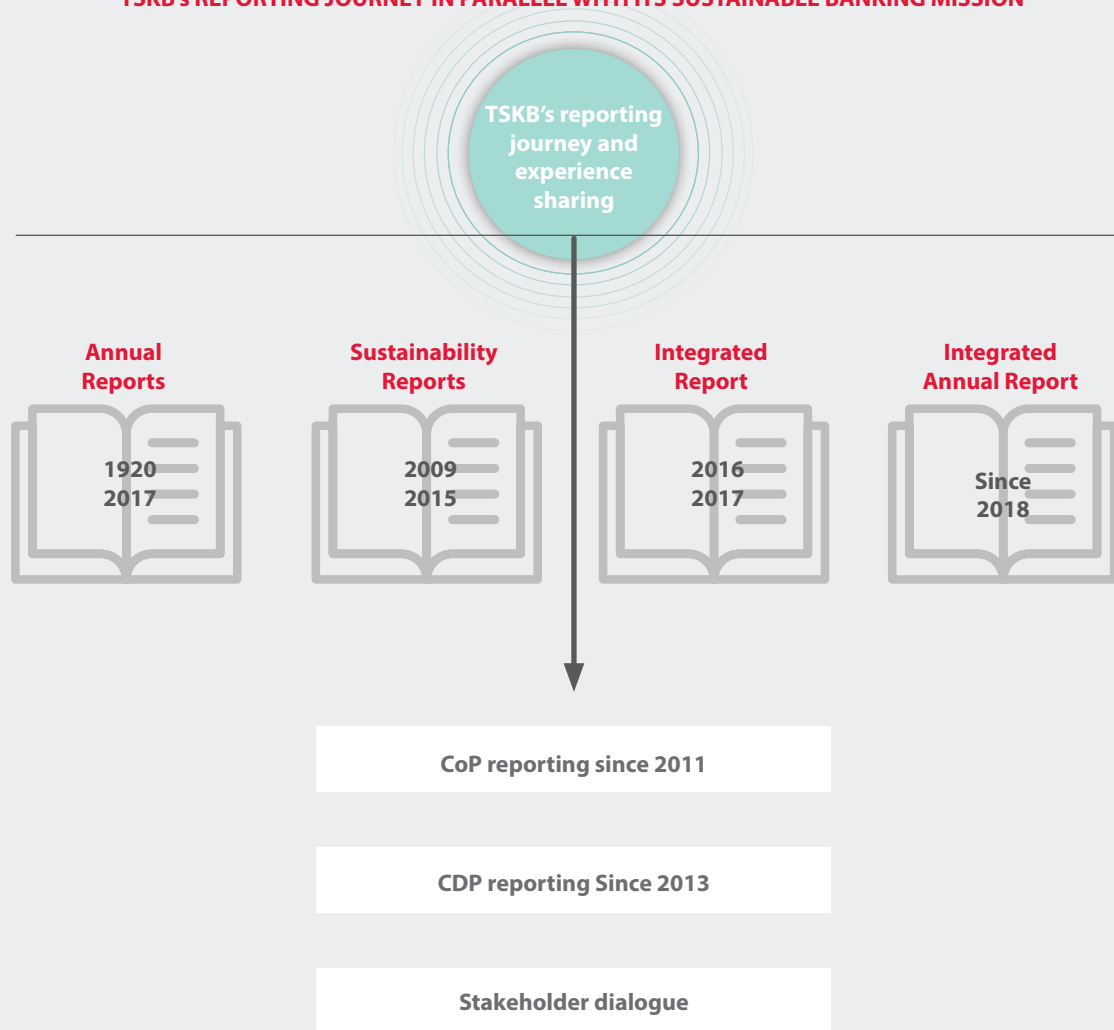
### Climate change and TSKB's Sustainable Banking Strategy

TSKB addresses its actions to combat and adapt to climate change within the scope of its sustainability strategy. Believing that the formula for qualified development is directly related to sustainable banking, the Bank's sustainable banking strategy is based on three key pillars.

- Supporting Turkey's sustainable development model
- Playing an active role in tackling climate change
- Contributing to Turkey's industrial transition to a low carbon economy

This strategy adopted by TSKB includes the assessment of related risks and opportunities as well as the management of climate-related issues. The Bank executes its sustainability vision and strategy within the scope of a properly constructed and effective sustainability cycle, and implements this vision in its daily service processes.

## TSKB's REPORTING JOURNEY IN PARALLEL WITH ITS SUSTAINABLE BANKING MISSION

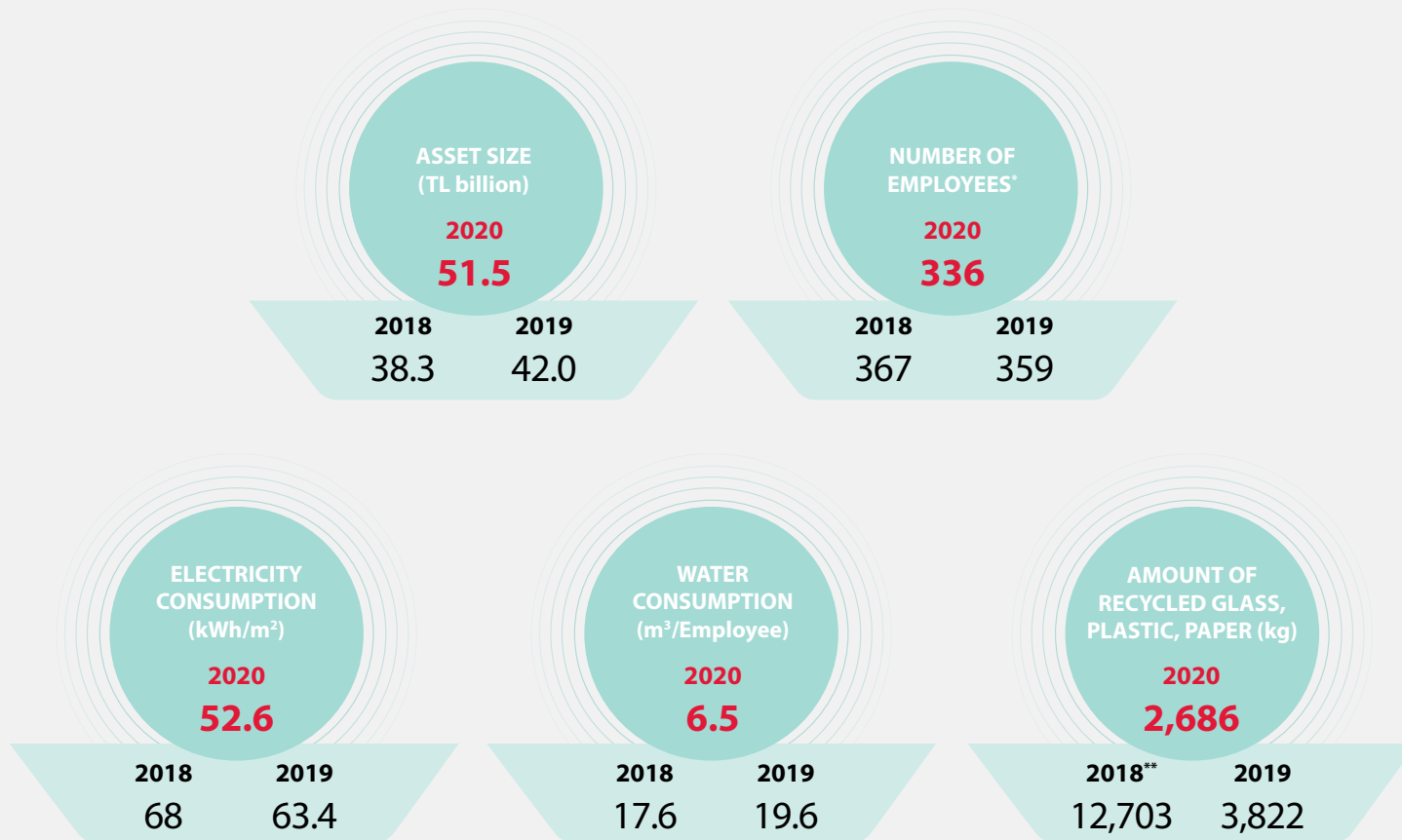




# NATURAL CAPITAL

## INTERNAL IMPACTS - KEY INDICATORS

TSKB meticulously manages the environmental impacts arising from its operational activities. Within the scope of the SMS at the Bank, the consumption of electricity, water, natural gas and other resources is monitored periodically, and work is carried out towards the reduction targets. The CO2 emissions arising from internal activities are calculated in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard and actions are taken to reduce emissions. TSKB aims to increase the ratio of waste brought to the economy every year by sending waste collected separately at source to recycling facilities, in accordance with the waste management plan implemented in line with the integrated waste management hierarchy.

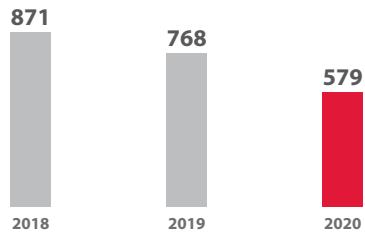


\* This figure represents the number of employees considered in the ISO calculations and is based on the annual average.

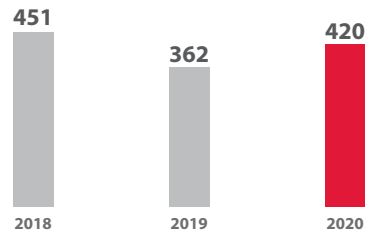
\*\* The amount of waste recycling was high in 2018 due to the building renovation, construction and relocation activities.



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



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



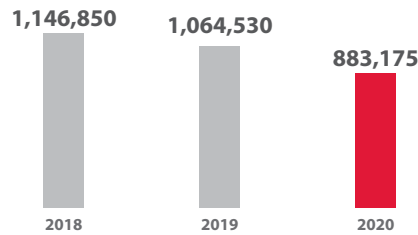
### tCO<sub>2</sub>e EMISSIONS (Scope 2)\*\*

**2018, 2019, 2020 = 0**

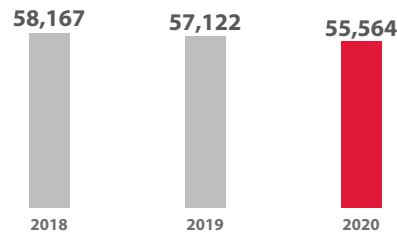
Since TSKB uses renewable energy in all of its service buildings, its carbon emission is zero.

The increase in the 2020 Scope1 emission is in consequence of the refrigerant gas added during the year due to gas leaks in the cooling system over the years.

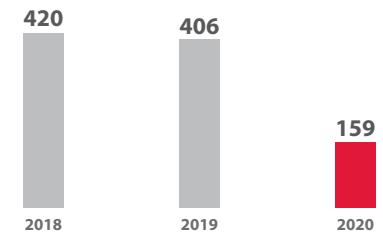
### ELECTRICITY CONSUMPTION (kWh)



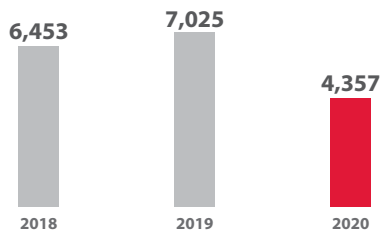
### NATURAL GAS CONSUMPTION (m<sup>3</sup>)



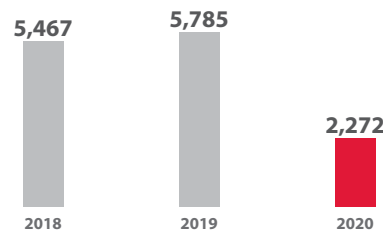
### tCO<sub>2</sub>e EMISSIONS (Scope 3)\*\*\*



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



### PAPER CONSUMPTION (kg)



Heating and cooling activities in bank buildings directly affect electricity and natural gas consumption.

The decrease in consumption of 2020 is due to the implementation of the remote working model following the Covid-19 Pandemic.

The relatively fewer reduction in natural gas consumption is due to the switch to a safe heating method in terms of health and hygiene following the Covid-19 Pandemic.

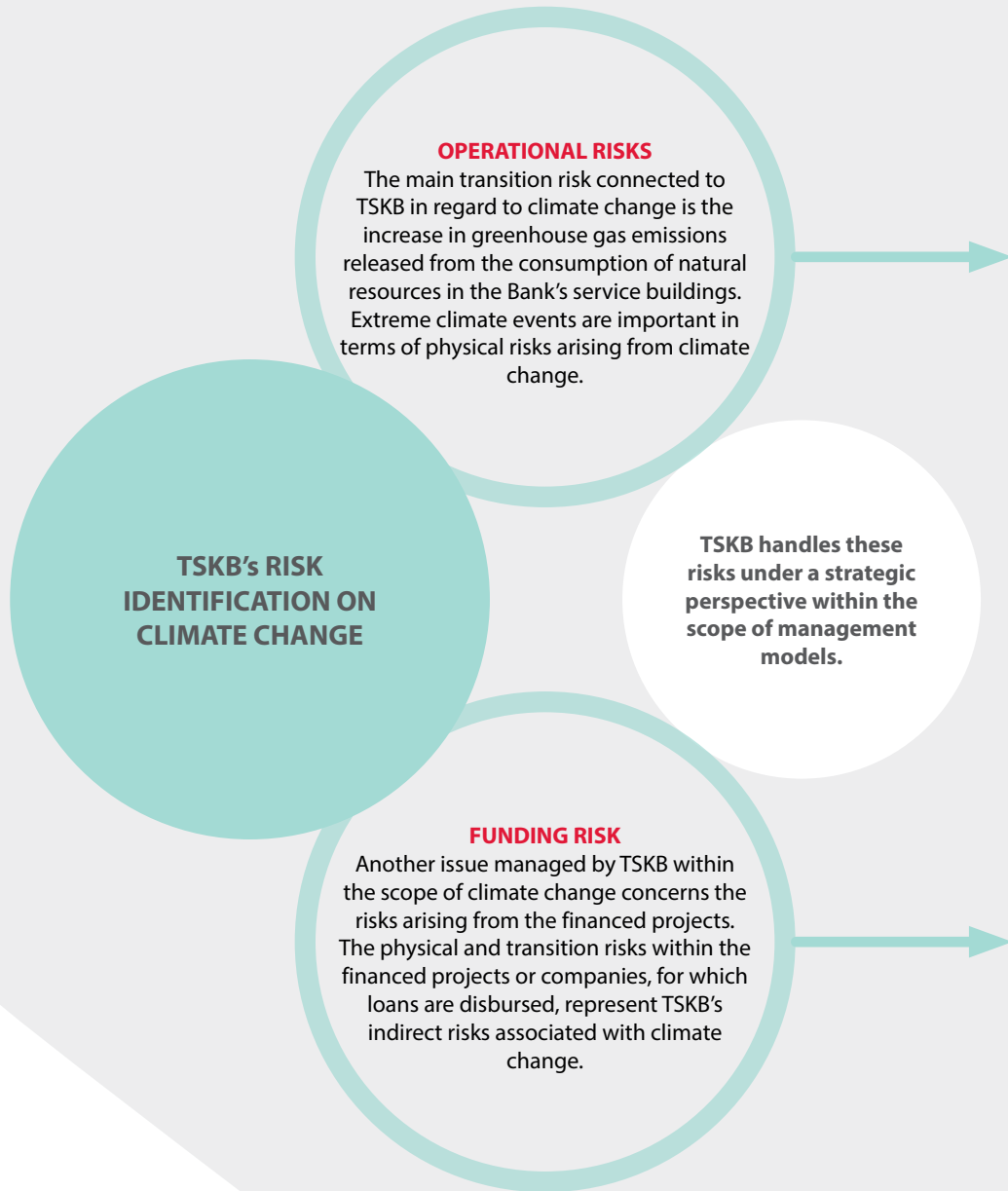
\***Scope-1** Direct Emissions: Emissions from greenhouse gas emitting sources owned and directly controlled by an institution. Greenhouse gas emissions from natural gas consumption, company vehicles, power generators, cooling groups, ventilation and firefighting systems constitute examples for Scope-1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

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

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

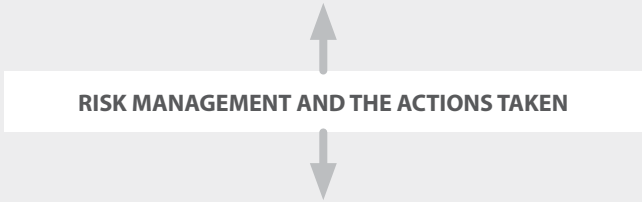


# NATURAL CAPITAL TSKB AND CLIMATE CHANGE



Within the framework of the SMS, the ISO 14001 & 14064 Working Group regularly follows up the carbon footprint related to consumption. The Group implements action plans aimed at mitigating the impacts. It sets targets for improving performance. Performance results are periodically monitored and reported.

TSKB prepared the necessary action plans to protect all service buildings against extreme climate events such as excessive rainfall, flooding and drought, and updates are carried out at regular intervals.



In 2020, the Climate Risks Working Group developed capacity and carried out various activities in order to identify, measure and report portfolio risks within the framework of both physical and transition risks. Other activities carried out periodically at TSKB included portfolio analysis and the renewal of the projections regarding investments in the renewable energy industry by examining the regional climatic conditions. The Bank will continue its work in line with the TCFD's recommendations in the coming period and address climate risks end-to-end in loan assessment and monitoring processes. The Bank will shape its relevant policies in this direction.

Moreover, TSKB is involved in financing a wide array of investments aimed at tackling climate change with the sustainability themed funds which it offers. TSKB will continue to play an important role in the fight against climate change in the future with its sustainability themed funds.



### Incentive mechanism provided for renewable energy investments in Turkey

#### Risk management and the actions taken

With the Electricity Market Law published in the Official Gazette on 2 December 2020 and which has since entered force, and the Law on The Amendment of Certain Laws, the decision was taken to apply the purchase guarantee and domestic equipment incentives for electricity generation plants operating with renewable resources, which had been applied in USD terms, to be in Turkish lira terms instead for the plants which will enter operation after 30 June 2021.

With the Presidential Decree published in the Official Gazette dated 30 January 2021, significant changes were carried out to the Law on the Use of Renewable Energy Resources for Electricity Generation Purposes. With the decision, the Renewable Energy Resources Support Mechanism (YEKDEM-RERSM) purchase and domestic contribution prices and implementation periods were determined. These will be applied for electricity generation plants and which are based on the RER Certified renewable energy resources, and which will enter operation between 1 July 2021 and 31 December 2025.

TSKB maintains close communication which it has established with international finance institutions, industrial associations and investors, and works to manage the effects of new regulations.

### EU's carbon regulation mechanism at the border

#### Risk management and the actions taken

The EU is reshaping its international trade relations within the framework of the Green Deal. Accordingly, the EU is establishing a new tax system, the carbon regulation mechanism, at the border in order to prevent carbon leakage which may occur due to imports to the EU from regions and countries where carbon pricing is not applied. The European Green Deal (EGD) and legislative changes announced by the EU in December 2019 are expected to have significant ramifications for Turkey, which has strong trade relations with the EU. Energy and resource intensive industries, in particular, are expected to be affected by the process.

TSKB closely follows up legislative changes in the EU and carries out work within the scope of measuring the risks of the companies and projects which it finances.

### Projects and companies with a credit risk which be adversely affected due to long term climate change and extreme weather events

#### Risk management and the actions taken

Long-term climate change (chronic risks) and extreme weather events (acute risks) can cause negative impacts on the projects and companies with a loan risk. Increased investment and operating costs, decreased revenues due to production losses and damage of assets due to extreme climate events are potential risks which the companies in TSKB's portfolio may be exposed to.

Drought is directly related to climate change and indicates that the world and our country will face serious problems in the near future. Changes in precipitation patterns are especially important in the operation of hydroelectric power plants. TSKB manages this process by conducting field visits, closely monitoring changes in basin climatic conditions and carrying out production projection updates.

### CLIMATE CHANGE POLICIES FOLLOWED BY TURKEY

Prior to the COP21, Turkey shared its Intended Nationally Determined Contribution (INDC) target on 30 September 2015 as part of its emissions reduction strategy. According to this contribution, greenhouse gas emissions in Turkey are projected to rise from 440 million tonnes in 2012 to 1,175 million tonnes under the current conditions by 2030. However, if systematic measures are taken, this amount will be reduced by 21% to 929 million tonnes of greenhouse gases.

TSKB closely follows both global developments and Turkey's policies, and shapes its climate change strategy accordingly.

### TSKB'S PROJECTION

**Investment processes based on climate risks will gain pace and new business opportunities will emerge in the fields of carbon trade and climate finance.**



## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### Turkey's position on the global platforms combating climate change and TSKB's actions

Although Turkey has signed the Paris Climate Agreement, which will form the framework of the post-2020 climate change regime, as a developing country, Turkey has not officially ratified the agreement.

However, Turkey has developed important capacity in the field of combating climate change with the greenhouse gas monitoring, reporting and verification legislation consisting of various regulations and communiqués issued in recent years.

In 2020, the draft Climate Law and the draft Emissions Trading System Regulation were prepared.

With the completion of the legislative and infrastructure processes in Turkey, the issues of carbon trade and carbon tax will become clarified and ensure that investments undertaken in our country have access to climate finance.

TSKB meticulously follows the issue of combating climate change, which will also provide Turkey with the opportunity to seek external resources with the theme of combating climate change, and supports all work carried out by Turkey.

The issue of combating climate change is an important agenda item for the TSKB Sustainability Committee. The Bank acts in line with the mission of providing funds to Turkey. It closely follows the Conference of the Parties (COP), which takes place with the participation of representatives from a number of countries, public and private sector players and a wide range of non-governmental organizations.

In 2015, TSKB actively participated in the COP21, where the Paris Agreement was established, witnessing the contributions of different parties to the process and the development and declaration process of the Paris Agreement.

The Bank has regularly participated in all COP conferences held since then. This allows TSKB to keep its finger on the pulse of the world agenda, with the experience gained on the issues of climate change and finance in our country and in TSKB being shared on platforms, where employees of the bank are involved as panelists and speakers.

In these meetings, the Bank also has the opportunity to review and update its own practices by observing different interpretations and approaches.

TSKB published its Climate Change Declaration in 2016. The declaration sets out how the consistency of TSKB's main activities with the climate change strategy will be upheld and managed.

In 2019, TSKB actively participated in the COP25, which was the final summit before the Paris Agreement started to be implemented.

The Bank attended the panel, "The 10 year Countdown to 2030: Banks acting as influencers to enhance common market practice", as a panelist, at the Republic of Turkey Pavilion, at the TUSIAD event. In the panel, the Bank provided information regarding TSKB's sustainable financing practices, declarations and memberships with high international recognition, in particular the UNEP-FI Principles of Responsible Banking, its interaction with the SDGs, Turkey's current situation in the perspective of climate change prevention and adaptation, and the Bank's positively distinguished position.

It was not possible to hold an international conference in 2020 due to the Covid-19 pandemic. The 26<sup>th</sup> Conference of the Parties (COP26), where governments will present their strengthened climate plans and which will be held in Glasgow, has been postponed until November 2021. TSKB will closely monitor developments which may occur ahead of the COP26 and the outcomes of the conference.

Even with the postponement of the COP26, 2020 was an important year in combating climate change. The EU took an important step towards the Green Deal, which is being shaped within the framework of efforts to combat climate change and in the context of the Paris Agreement, and set out the transformation goals with the European Green Deal plan that it announced in December 2019. The EU is also reshaping its international trade relations within the framework of the Green Deal.

EU member states are expected to be "climate-neutral" by 2050 under plans for member states to reduce their greenhouse gas emissions within a specific schedule. The EU plans to achieve this goal by decarbonizing the energy sector, transitioning to a clean and circular economy, using new technologies in industry, creating clean transportation systems, a healthy and environmentally friendly food system, promoting the efficient use of energy and other resources and protecting ecosystems and biodiversity.

**TSKB meticulously follows the issue of combating climate change, which will also provide Turkey with the opportunity to seek external resources. TSKB supports all work carried out by Turkey at a national level.**

Accordingly, the EU is establishing a new tax system referred to as the mechanism of carbon regulation at the border in order to prevent any carbon leakage resulting from imports into the EU from the regions and countries where carbon pricing is not applied.

The European Green Deal is expected to have significant ramifications for Turkey, which has strong trade relations with the EU. In this context, TSKB announced the establishment of the Green Swan Platform on 6 October 2020 in order to act jointly against the climate crisis, which is the biggest obstacle to sustainable and inclusive development, and raise awareness of climate change. TSKB announced its aims to bring together representatives of the public and private sectors along with NGOs, international organizations, academics, students and members of the media under the umbrella of the platform.

The Bank aims to raise awareness of the climate crisis among a wider range of stakeholders and sectors by providing regular information sharing with reports and bulletins to members of the Green Swan Platform.

## TSKB AND SUSTAINABILITY INDICES

### **The Borsa Istanbul Sustainability Index**

TSKB is included in the BIST Sustainability Index, which consists of companies with a high corporate sustainability performance and whose shares are traded on the Borsa Istanbul.

The Borsa Istanbul determines the list of companies to be included in the index according to the results of the evaluation carried out under the following main headings; environmental policy, environmental management systems, biodiversity policy, climate change management, organization of the board of directors, anti-bribery policy, anti-bribery systems, human rights policy, human rights systems and health and security systems.

The BIST Sustainability Index came into being with the evaluation of companies included in the BIST 30 index in 2014. With the expansion of the evaluation to include the BIST 50 in 2015, TSKB was included within the scope of the index, and qualified for inclusion in the index as a result of the evaluation carried out.

TSKB, which has been trading in the index since November 2015, updates and improves its policies within the framework of the index rules, international regulations and good practices.

The sustainability indices play a decisive role for investors seeking to invest in companies which adopt the principles of sustainability and corporate social responsibility.



TSKB's inclusion in the sustainability indices demonstrates the Bank's approach to sustainability issues as well as offering a clear signal of its activities and decisions in this field.

In recognition of TSKB's sustainability policies and practices, Sustainalytics issued the Bank with a rating of 16.7 for the Bank's Environmental, Social and Governance (ESG) Risk Score. This Risk Rating, published in May 2020, placed the Bank in the "low risk" category. As of the date of publication, TSKB's rating, which was highest in Turkey, was in the second percentile in the international banks group.

**In line with TSKB's sustainability policies and applications, Sustainalytics assigned the Bank with its Environmental, Social and Governance (ESG) Risk rating. As of May 2020, TSKB ranked top in Turkey and in the second percentile in the international banking group.**





# NATURAL CAPITAL





## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

**TSKB fulfilled its sustainable financing targets in line with its expectations despite the pandemic. The Bank continued to support Turkey's transition to a low carbon economy with its new disbursements within the scope of renewable energy and efficiency projects.**

2020 TARGETS	2020 REALIZATIONS
By considering the renewable energy, energy efficiency and resource efficiency investments in our country until the end of 2020, the Bank aims to keep the share of its sustainable and inclusive finance portfolio in the total loan portfolio, excluding the finance sector, at least 70%.	At the end of 2020, the sustainable and inclusive finance portfolio had a share of 74% in TSKB's total loan portfolio. ✓
Within the scope of innovative renewable energy financing, TSKB aims to sign a new loan contract for renewable energy projects with a total installed.	As of the end of 2020, agreements for renewable energy projects with a total of 904 MW were signed.
TSKB plans to sign 10 new loan agreements on energy and/or resource efficiency projects by the end of 2020.	Out of the target of a total of 10 energy efficiency and/or resource efficiency projects, 8 were realised. The deviation in the realization was a result of the pandemic.
The Bank is committed to assessing the environmental and social risks of all investment loans irrespective of the project amount, ensuring the necessary measures are taken proactively based on the determined risk and monitoring the implementation of these measures.	TSKB implemented the ERET tool, which is used in the management of environmental and social risks arising from lending activities, in all investment loans in 2020.
For the period of 2017-2021, greenhouse gas emissions are projected to decrease by 10% compared to the average of the past 5 years (2012-2016).	The Bank's greenhouse gas emissions for 2020 decreased by 25% compared to the greenhouse gas emissions in 2019. Final reporting of this target will be published in the 2021 annual report.
The Bank aims to manage all environmental and social impacts and greenhouse gas emissions within the framework of ISO 14001 and ISO 14064 Standards in 2019 and 2020.	The ISO 14001 and ISO 14064 audits were completed in February 2021 with no incidents of non-conformity.
The Bank is committed to periodically calculating its carbon footprint and maintaining its banking operations with zero carbon principles by offsetting its carbon footprint.	In 2020, greenhouse gas emissions arising from TSKB's operational activities were calculated according to the ISO 14064 standard and verified by the BSI. The resulting 767 tonnes of emissions were offset by carbon credits.
Zero-Carbon organization studies will continue in 2019-2020 and with efforts to offset the carbon footprint by calculating the carbon footprints of Career Workshops, Sustainability Workshops and conferences hosted by the Bank and by purchasing Gold Carbon Credits.	In 2019 and 2020, carbon emissions arising from the events organized by TSKB were calculated and the resulting emissions were offset by purchasing Gold Carbon Credits.
All paper consumed in buildings will be sent to recycling facilities and the application of a 100% recycling target on paper waste will continue in the years to come.	In 2020, waste paper consumed in buildings was collected separately and sent to recycling facilities.
In-bank training programs will continue to be held in order to raise awareness about waste reduction/waste recovery.	Awareness training on waste reduction, waste recovery and recycling was organized to cover all TSKB employees.



## 2020 KEY PERFORMANCE INDICATORS

Sustainable Finance /External Environmental Impacts of the Bank		<b>Renewable Energy Portfolio</b>	
		Number of projects	330 ✓
		Total installed capacity funded (MW)	6,594 ✓
		TSKB's share in Turkey's renewable energy capacity	13% ✓
		Energy use and carbon neutral status	100% green
		Financing commitment (USD billion)	4.06
		Contribution to reduction of CO <sub>2</sub> emissions (tonnes CO <sub>2</sub> /year)	12.2 million ✓
	Share of electricity generation in loan portfolio	38%	
		<b>Renewable Energy Projects Financed in 2020</b>	
		Number of Projects	37
Installed power (MW)		531	
Volume of electricity generation (MWh)		1.7 million	
	<b>Resource and Energy Efficiency</b>		
	Raw material savings (tonnes/ year)	14.7 million	
	Water savings (m <sup>3</sup> / year)	1.2 million	
	Waste savings (tonnes/ year)	55,530	
	Energy savings (gigacal/ year)	6.1 billion	
Internal Environmental Impacts of the Bank		Annual carbon footprint removal (tonnes/ year)	579
		Paper consumption in the Headquarters (kg)	2,272 ✓
		Recycled glass, plastic and paper waste (kg)	2,686 ✓
		Electricity consumption in the Headquarters (kWh)	883,175 ✓
		Natural Gas consumption in the Headquarters (m <sup>3</sup> )	55,564 ✓
		Water consumption in the Headquarters (m <sup>3</sup> )	4,357 ✓
		Water density (m <sup>3</sup> /employee)	6.5 ✓
		Electricity density (kWh/m <sup>2</sup> )	52.6 ✓



# NATURAL CAPITAL

## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

### FUTURE TARGETS



N1

To keep the ratio of SDG-linked loans in the total portfolio at the level of **90%** and above between 2021 and 2025.



N2

To provide USD **8 billion** and more SDG-linked financing by 2030.



N3

To apply the **Environmental and Social Risk Evaluation (ERET) Model** to working capital loans together with investment loans from 2021.



N7

Within the framework of the Bank's 5-year roadmap (2021-2025), to conclude **the evaluation of the loan portfolio in terms of climate risks**, which started in 2020. The climate risks will be integrated into the loan evaluation and monitoring processes.



N8

Within the framework of the Bank's 5-year roadmap (2021-2025), to develop a climate risk management approach which is fully compliant with the **UNEP FI and TCFD** recommendations.



N9

To reduce average greenhouse gas emissions for the 2017-2021 period by **10%** compared to the average of the previous 5 years (2012-2016).

**In the Bank's loan portfolio, its contributions to SDG 1, the SDG 7, the SDG 8, the SDG 9, the SDG 12, the SDG 13 and the SDG 17 stand out in particular. Through the three business lines, TSKB will continue to increase its support to the SDGs. In this context, it has set new long-term SDG-linked targets.**





## FUTURE TARGETS



N4

To manage all of Bank's internal impacts, greenhouse gas emissions and external environmental and social impacts arising from financed projects within the framework of the

**ISO 14001 and ISO 14064**  
Standards.



N5

To calculate Bank's carbon footprint periodically and to continue its banking activities under zero carbon principles by neutralising its **carbon footprint**.



N6

To maintain compliance with environmental and social standards for the **protection of biodiversity**, as a signatory of the Biodiversity Declaration within the scope of the IDFC - FICS.



N10

**Not to finance coal thermal power plant investments** which will be newly installed in the coming period.



N11

To provide direct and indirect support to companies in their transition towards the **EU Green Deal** in the coming period.



N12

To determine the total water commitment of the employees by filling in the **questionnaire on water saving** and to raise awareness on this issue.



## CAPITAL ELEMENTS



### INTELLECTUAL CAPITAL



#### TSKB ECONOMIC RESEARCH

TSKB Economic Research is the umbrella brand of the Bank's core business.

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

TSKB's Economic Research publications provide support to the Bank's funding, lending, advisory, treasury, marketing and promotional activities, and also serve as a key tool in terms of information sharing with all non-bank stakeholders.

	Number of Issues
<b>TSKB Daily Bulletin</b> Summaries of the news flow on macroeconomic developments and non-economic factors and business lines from a macro perspective. ✓	252
<b>Macro View</b> Analysis and evaluation reports on macroeconomic data within the calendar ✓	98
<b>TSKB Blog</b> Short articles with analysis and commentary on the development agenda and macroeconomic developments ✓	58
<b>Monthly Energy Bulletin (Turkish and English)</b> Developments in the energy sector on a monthly basis ✓	24
<b>IPO Valuation Reports Review</b> Studies evaluating price determination reports published in public offerings ✓	8
<b>TSKB Theme Look (Turkish and English)</b> Comprehensive reports prepared within the scope of funding diversification and improvement of themed loans with the macroeconomic and development oriented analysis work. ✓	6
<b>New Month</b> Featured data in the next month's economic calendar, analysis of important events in the Turkish and global economy, studies from the development economics agenda ✓	6
<b>Climate Review (Turkish and English, quarterly)</b> A report providing an up-to-date summary of the climate change agenda ✓	2
<b>TSKB Weekly Bulletin</b> A report setting out the economic and non-economic developments taking place in the previous week and a brief analysis of the new week ✓	15
<b>Total</b>	<b>469</b>

The TSKB Economic Research department produced 469 publications in 2020.

Periodical products published by TSKB Economic Research include the following;

- TSKB Daily Bulletin, which includes summaries of macroeconomic and non-economic developments on the agenda and news flow related to business lines from a macro perspective,

- TSKB Weekly Bulletin, which includes macroeconomic and non-economic developments which took place in the previous week with a brief review of the following week,
- Macro View, which includes reviews and evaluations of macroeconomic data,
- New Month, which includes highlights of the next month's economic calendar, an analysis of important events in the Turkish and global economy, studies from the development economics agenda.



## Continuous Value Creation

**469** publications **58** blog posts  
TSKB Economic Research authored 469  
publications and 58 blog posts in 2020.

## Strong Synergies

A range of services diversified by subsidiaries  
and increased intellectual capital outcomes  
thanks to strong synergies

## Future Projections



- » The Bank and its subsidiaries will continue to nurture the intellectual capital accumulated through successful projects.
- » The Intellectual Capital Targets are set out on page 105. □□

TSKB Theme Look publication includes work on macroeconomics and development. This work adds value to the funding diversification and the development of themed loans. On the other hand, it creates value by addressing the Turkish economy from a macro and developmental perspective. Within this framework, a report entitled Building long-term prosperity through investing in women's skills was published to emphasise the importance which TSKB attaches to gender equality and women's employment.

In addition, the effects of the pandemic on the Turkish economy were monitored and evaluated in the Increasing Turkey's resilience under the Covid-19 Pandemic study carried out in 2020. However, the issue of moving towards a better, greener and fairer structure after the pandemic was discussed in the report entitled In search of transformational recovery.

The Energy Bulletin, which is published in Turkish and English on a monthly basis, contains analysis and developments related to the energy sector. The Turkish and English versions of the "Energy Outlook" report, prepared regularly every year and which analyses the current situation of the Turkish energy market and addresses the trends which will guide the sector in the coming period, were published in November and December.

### Climate Review

Climate Review includes a review of global and national developments on the climate crisis, steps taken by governments in the fight against the climate crisis, climate finance and analysis enriched with special data on the subject. The first issue of Climate Review was published under the Green Swan Platform in 2020. It will continue to be published every quarter in 2021.



# INTELLECTUAL CAPITAL TSKB BLOG

**Based on TSKB’s 70 years of know-how and experience, the TSKB Blog shares economic and sectoral developments through the eyes of the Bank’s specialists and shares new articles and current topics to its followers.**

The TSKB Blog presents up-to-date coverage of the development agenda.

TSKB shares its know-how and experience in different fields such as macroeconomics and the development agenda along with sustainability and inclusion with a wide group of stakeholders, especially the business world and the managers of the future on the TSKB Blog.

In addition to the economic and financial agenda, the TSKB Blog also includes articles written within the framework of international trends such as climate change, water efficiency, food safety, digital transformation, industry 4.0 and low carbon economy. With a finger on the pulse of the development agenda, the TSKB Blog also sheds light on the rapid transformation occurring in different industries.

Based on TSKB’s 70 years of know-how and experience, the TSKB Blog shares economic and sectoral developments through the eyes of the Bank’s specialists and shares new articles and current topics to its followers. The content of the TSKB Blog is also offered through the TSKB social media accounts. The TSKB Blog articles are written by a large pool of experts in a range of fields such as development, sustainability, engineering, technology, energy and tourism.

## TSKB’s LIBRARY



Launched in 1971, the TSKB Library is a specialized library with approximately 14,500 volumes and more than 100 periodicals and electronic database subscriptions. It provides national and international literature as well as sector-based reports and results of studies to researchers, especially university students and academics.

In addition to gender studies and the private collection for the history of Istanbul, the TSKB Library also includes collections of literature, politics and personal and professional development. Efforts to develop the collection are carried out systematically in line with the focus areas of TSKB.





### TSKB Collection

Expertises Collection (Economics, Finance, Industry Publications, Law, Sustainability, etc.)	7,670
Women's Research Collection	339
Istanbul Collection	607
Literature, Politics, History, Personal Development	3,325
Children's Collection	111

Efforts to develop the collection in the library throughout the pandemic, while databases and digital periodical publication memberships continued. Through the Mobile Library project, books requested were sent on loan to the addresses of teams working remotely, in accordance with their needs. This helped TSKB employees meet their needs for information without interruption during the Pandemic.

The "Bkz." publication, which started to be prepared as an internal journal at the library within the scope of the activities on the 70<sup>th</sup> anniversary of TSKB, continues to be published on a quarterly basis throughout the year.

In 2019, the TSKB Library, which was underwent an architectural renovation to bring it closer to TSKB's tradition and history and to create a space of sharing and creativity for its employees, aims to provide a better service for all interest groups.



## INTELLECTUAL CAPITAL MEMBERSHIPS AND WORKING GROUPS

TSKB is a member of domestic and international associations and initiatives which carry out studies in fields related to its strategy, activities and goals. In this process, the Bank undertakes tasks actively, shares its experiences and cooperates with numerous organizations by establishing close relationships.

### Contribution to Turkey and the TSKB brand

TSKB's participation in national and international initiatives contributes to Turkey as well as the brand value of the Bank. The work carried out within the scope of memberships reflect positively on the image and promotion of TSKB and support the development of internal capacity and efforts to raise awareness. These memberships offer the opportunity to communicate and establish a relationship with stakeholders from different regions and cultures, contribute to the promotion of Turkey on different platforms, especially in cases where participation from Turkey is being realised for the first time, while increasing Turkey's recognition in these areas.

TSKB assumes working group leadership and similar duties in some of the organizations which it is a member of.

### COOPERATION WITH PUBLIC INSTITUTIONS

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

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

Within this framework, TSKB contributed to the preparation of the "Turkey's Strategic Energy Efficiency Plan" published by the Ministry of Energy and Natural Resources, Energy Efficiency and Environment Department in June 2020.

**TSKB's involvement in national and international initiatives contributes the Bank's brand value as well as the Turkish nation.**

**TSKB assumes the leadership of working groups and similar roles in some of the organizations it is a member of.**

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

#### International Development Finance Club (IDFC)

- Gender Equality Working Group Chairmanship

#### BSCD Turkey (SKD Turkey)

- Board Member
- Chairman of the Women's Employment and Equal Opportunity Working Group
- Sustainable Finance and Risk Management Working Group
- Energy Working Group
- Circular Economy Working Group
- New Technology in Sustainability Working Group
- Sustainable Agriculture and Access to Food Working Group
- Sustainability Reporting Working Group

#### Corporate Governance Association of Turkey (TKYD)

- Board Member
- Capital Market Working Group
- BIST Corporate Governance Index Board Working Group
- Board of Directors Working Group
- Non-Governmental Organizations Working Group

#### Integrated Reporting Network Turkey (ERTA)

- Executive Board Member
- Education Committee
- Implementation Committee

#### United Nations Global Compact

- Sustainable Finance Working Group
- Gender Equality Working Group
- Environmental Working Group
- Diversity and Inclusion Working Group

#### Turkish Industrialists and Business People Association (TÜSİAD)

- Banking Working Group
- Economic Analysis Working Group
- Capital Markets Working Group
- The Tax Working Group,
- Next Generation Industry, Food, Beverage and Agriculture Working Group
- The SMEs, Health Working Group
- Gender Equality Working Group
- Education, Employment and Social Security, Tourism Working Group
- Environment and Climate Change Working Group
- Energy Working Group,
- The USA, Germany, UK, France, China and Foreign Trade working groups
- TÜSİAD's work on the Horizon 2020 Program European Green Deal call

#### Foreign Economic Relations Board (DEİK)

- Energy
- China Business Council



## Intellectual capital outcomes generated through subsidiaries

### TSKB REAL ESTATE APPRAISAL

TSKB Real Estate Appraisal is focused on developing its know-how and competencies, cooperating with international leading organizations and following innovations in its field.

TSKB Real Estate Appraisal has carried out valuation work in 23 different countries since its establishment. Providing clients with a global perspective on valuation standards is considered a primary objective for TSKB Gayrimenkul Değerleme.

TSKB Real Estate Appraisal, which offers deeply rooted know-how and expertise in the valuation sector, has a widespread service network with nine branches, including its Malatya branch opened at the end of 2020.

TSKB Real Estate Appraisal, which continues its development in the social sphere with policies which promote gender equality, was awarded with two different Equal Opportunities Certificates this year.

#### 285,000 valuation activities in 10 years

With valuation specialists under the leadership of responsible surveyors authorized by the CMB, TSKB Real Estate Appraisal provides value assessment services in a wide range of areas ranging from land, business centers and factories to shopping malls, hotels, logistics facilities, fuel stations and power plants. Around 285,000 valuation reports have been prepared by TSKB Real Estate Appraisal over the last 10 years.

In addition to valuation reports for guarantee and special purposes, a total of 50 best and most efficient usage analyses and project valuations were provided with qualified work carried out in 2020, such as the "COVID Impact Report", which examined the impacts of the pandemic on the value of real estate, solar power plant and natural gas cycle power plant valuation studies, cruise port valuations, pre-IPO portfolio valuations and marina feasibility.

#### One of a select few valuation companies in Turkey to hold three different licenses

In addition to being authorized by the CMB and BRSA, TSKB Real Estate Appraisal is one of the leading companies in the sector operating with three licenses in Turkey, having obtained the RICS license, which provides international service assurance.

The Company has one of the most internationally licensed workforces in Turkey, with employees holding MRICS, Appraisal Institute and LEED Green Associate licenses related to the valuation and consultancy services which it offers. In addition, TSKB Real Estate Appraisal was the first real estate valuation company in Turkey to be awarded the ISO 9001:2008 Quality Certificate, and holds the ISO 9001:2015 Quality Management System Certification.

#### Solid goals in a trinity of past, future and present

Providing services in the real estate sector, which is one of the sectors to have been affected the most by the pandemic, TSKB Real Estate Appraisal succeeded in maintaining its growth in 2020. During this period, TSKB Real Estate Appraisal galvanised its operations to respond to the global pandemic with remote working and by prioritizing employee health. The Company continued its activities without any disruption, and achieved a 16% increase in its turnover.

In 2020, TSKB Gayrimenkul Değerleme's rate of converting requests to contracts stood at 60%. The company managed to expand its client portfolio even under the conditions of the pandemic.

The company aims to stand out from its competitors with its service quality and to continue its growth in the valuation sector, which is expected to grow in 2021.

TSKB Gayrimenkul Değerleme places priority on providing a strategic, innovation-based and sustainable response to the structural transformation which the real estate sector is going through, and in meeting changing user preferences.

#### Featured Memberships

- ULI (Urban Land Institute) Turkey Executive Board Membership: The ULI is the world's oldest, most prestigious and largest interdisciplinary initiative, which brings together real estate and land use specialists. The TSKB Gayrimenkul Değerleme General Manager has been a member of the ULI Turkey Executive Board for two years. As of 2021, the Company had taken over the co-presidency of the ULI NEXT Turkey subgroup (the 35-45 age range of real estate professionals).
- LİDEBİR Board Membership: Since 2019, the General Manager of TSKB Gayrimenkul Değerleme has been serving as a member of the board of directors at LİDEBİR, the only non-governmental organization established by CMB-licensed companies in our country.
- RICS: TSKB Gayrimenkul Değerleme is one of four companies in Turkey to hold RICS membership.
- USGBC: Since 2016, TSKB Gayrimenkul Değerleme has been the only valuation company from Turkey to be a member of the USGBC. The USGBC promotes sustainability in building design, construction and operation with the LEED certification.



## INTELLECTUAL CAPITAL

### ESCARUS

#### Strengthening brand value

ESCARUS serves a wide geographical region including international markets as well as Turkey. ESCARUS has undertaken various projects in Qatar, Lebanon, Egypt, Kenya, Senegal, Cameroon and Congo, coming a remarkable distance towards its service export goal.

ESCARUS, which predominantly carries out projects with private sector companies, diversifies its clients within the framework of providing services to public institutions and international organizations.

#### The first and only Turkish company to be elected to the Green Bond Principles Advisory Board

ESCARUS was elected as a member of the Green Bond Principles Advisory Board in 2019. It is the only Turkish company on the Board, with the duty of providing a broader perspective on green, social and sustainable bond markets.

#### Numerous projects in different disciplines

In addition to the projects which take strategic sustainability as a basis, ESCARUS successfully completed numerous reference projects, such as an investment feasibility review, technical evaluations for export loans, environmental and social assessment and monitoring, strategic analysis, sectoral analysis, sustainability reporting and integrated reporting and sustainability-oriented education.

ESCARUS considers sustainability as a concept which affects society and the economy as a whole, going far beyond the issue of the environment and the first degree issues related to the environment. Based on this approach, the Company addresses sustainability in a wide universe under the framework which it has drawn in line with the United Nation's 16+1 Sustainable Development Goals, and shapes its fields of activity in this direction.

### OUTSTANDING PROJECTS in 2020

#### The Gaziantep Metropolitan Municipality Ecological Habitat

Within the scope of the Ecological Habitat Feasibility Project prepared for the Gaziantep Metropolitan Municipality, ESCARUS carried out field inspections and interviews with residents within the framework defined after determining the ecological life methodological framework. This framework was prepared to determine the level of preparedness of the ecological habitat concept for the neighbourhood selected together with the Metropolitan Municipality.

#### Red Crescent

Within the scope of the Turkish Red Crescent Second Hand Clothing Collection and Recycling Project, the collection, sorting, reuse and disposal processes of textiles collected through the clothes banks located at various roadside points by local authorities, various non-governmental organizations, foundations and associations was investigated. The conditions were evaluated specifically for our country and the Red Crescent.

#### Green Bond Principles

ESCARUS was again elected to the Advisory Board in the 2020 period of the international Green Bond Principles. The Green Bond Principles aim to establish standards which will be valid in different markets for the processes of green bond issuance. ESCARUS took part in the Advisory Board as the co-coordinator of the Second Party Opinion Working Group.

#### ESCARUS in 2021

Within the framework of the 2021 targets, ESCARUS aims to strengthen its domestic consultancy structure so it is able respond to the needs of public and private sector institutions in Turkey and abroad and will share its knowledge, especially for the purpose of helping institutions using foreign funds to create maximum value from these funds, while increasing its service exports to the surrounding region and adopting a global stance.

In 2021, ESCARUS plans to deliver sustainability-oriented technical, environmental, social and managerial consultancy services to wider segments, continue its activities with an understanding that places sustainability at the heart of all technical and financial solutions, and expand the number of projects and its sphere of influence.

### INFORMATION SECURITY

TSKB establishes structures that will secure all IT assets, including employees, processes and technology in order to ensure business continuity securely and focus on business goals. The Bank aims to implement the most effective security solutions by constantly monitoring new and advanced security systems.

With respect to the detection of security risks, regular security vulnerability scans are conducted by the information security teams and annual penetration tests and information systems process audits are conducted by independent auditors within the scope of BRSA regulations.

In order to ensure the security of IT assets at the Bank within the framework of international standards, a gap analysis activity was carried out in accordance with the globally accepted security control set belonging to the Center for Internet Security (CIS) community in 2020. Actions were taken regarding areas which were not in place and identified as a result of the gap analysis. A Data Labelling solution was purchased in order to increase the effectiveness of the Data Loss Prevention (DLP) systems. The application is planned to be rolled out throughout TSKB.



In order to ensure preparedness for possible cyber incidents and to test the adequacy of the security monitoring service (Security Operations Center - SOC) to be purchased for this purpose, actual attack drills are planned to be added to the scope of security testing in 2021.

The organization's information security policies and standards are determined in accordance with the COBIT (Control Objectives for Information and Related Technologies) framework and the ISO 27001 standard. The Bank aims to obtain ISO 27001 certification in 2021 in order to evaluate and certify the adequacy of the TSKB Information Security management system.

The human factor plays a major role in ensuring security as much as the technical measures put in place. With the information security policy and standards determined by the Bank, TSKB aims to roll out the security culture across the Bank and share security responsibility with all employees. In this context, training is provided to stakeholders, awareness campaigns are carried out and phishing attack simulations are carried out in order to increase awareness of information security.

The same attention to compliance and awareness expected from employees is also expected from the suppliers from which TSKB procures its services. Risk assessments of suppliers are carried out, their performances are monitored on a regular basis, information security clauses are included in the agreements made and the suppliers, who have access to the Bank's network, are required to complete the Bank's information security awareness training.



# SUSTAINABLE DEVELOPMENT GOALS







# INTELLECTUAL CAPITAL

## INTELLECTUAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

**Although there was a slight deviation between the Intellectual Capital targets and their realizations, TSKB strived to keep the negative effects of the pandemic to a minimum and activities continued without interruption.**

2020 TARGETS	2020 REALIZATIONS
TSKB Advisory Services aims to triple its revenues through its activities carried out by its large staff in 2020.	In line with the targets, all efforts were taken to keep the effects of the pandemic to a minimum. Advisory revenues increased by a factor of 1.4 by the end of 2020 compared to 2019.
Yatırım Finansman aims to increase the number of active clients by an average of 15% in 2020 and to increase the share of the revenue from these clients to 15% in total revenues.	The number of active clients increased by 52% in 2020 compared to 2019. The share of income obtained from new accounts and activated clients in total branch income stood at 12%.
TSKB Real Estate Appraisal aims to grow by 30% in 2020 by maintaining its specialist position and brand value in the sector. It aims to realize a return rate of requests to the contract of 60% in 2020.	TSKB Gayrimenkul Değerleme achieved 18% growth in turnover in 2020, short of the 30% target due to the Covid-19 pandemic and the resulting developments in the real estate markets. In 2020, it managed to expand its client portfolio even under the conditions of the global pandemic by developing policies which would ensure that the the proportion of demands becoming contracts would reach 60%.
TSKB GYO aims to increase its profitability by deploying its competitive advantage in the region where the Divan Adana Hotel is located in 2020.	Divan Adana Hotel, which is 50% owned by TSKB was affected during the Covid-19 pandemic due to the fact that the tourism sector and shopping malls were among the sectors to be hardest hit by the pandemic in 2020.
Escarus aims to increase the number of projects it conducts to 30, the number of firms contacted to bid to 70, and the number of names in the consultant pool to 250 in 2020. The Company aims to deploy its project-based management system in 2020 and carry out business in each of the products collected in a total of 12 sub-titles.	In 2020, Escarus increased the number of projects it conducted to 40, the number of the number of firms contacted to bid to 98, and the number of names in the consultant pool to 255. The company commissioned the project-based management system in 2020 and conducted business on 11 of the products collected under 12 sub-headings.

### 2020 KEY PERFORMANCE INDICATORS

	TSKB Economic Research authored 469 publications and 58 blog posts in 2020. ✓
	In 2020, TSKB realized Turkey's first sustainable lease certificate issuance.



## FUTURE TARGETS



11

Within the scope of **TSKB Advisory Services**, in 2021, TSKB aims to increase the number of companies from which advisory service revenue will be earned for the first time to 35 and to increase the number of completed projects by 15%.



12

In 2021, **TSKB Real Estate Appraisal** aims to increase its turnover by 6% by maintaining brand value and its position as the sector's expert, to acquire 150 new clients and for 60% of the demands received being converted into contracts.



13

In 2021, the Bank aims to obtain the **ISO 27001 Information Security Management System** certificate.



14

In 2021, **Escarus** aims to increase the number of projects it conducts to 40, the number of firms contacted to bid to 90, and the number of names in the consultant pool to 300. The company aims to bring project based time management system into operation and carry out business in each of the products grouped under 13 sub-headings.



15

Within the scope of the **Green Swan Platform**, the Bank aims to publish new reports every quarter in 2021 in order to draw attention to climate change and raise awareness of current developments in its "Climate Review" report, the first issue of which was published in 2020.



16

Within the scope of **Investment Banking**, the Bank aims to enrich the activities in a manner which includes **sustainable financing** opportunities.



## CAPITAL ELEMENTS



### SOCIAL CAPITAL



### SOCIAL CONTRIBUTION

#### Long-term responsibility projects which strengthen TSKB's social contribution

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and the arts projects on themes such as climate change, low carbon economy, women's participation in production and equal opportunity.

Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments which generate environmental and social impacts. At the same time, the Bank reinforces the total value it generates through its long-term projects it has implemented within the scope of social responsibility, which it defines as an integrated element of its unique business model.

TSKB's social responsibility projects are structured in the fields of sustainability and equal opportunity.

With these projects, the Bank contributes to the reproduction of similar good practices in the business world, touching the more people's lives and the development of a productive ecosystem which protects the environment.

The Bank's social capital is crowned with experience and sharing efforts and is carried into the future.

#### SUSTAINABILITY PROJECTS

##### [www.cevreciyiz.com](http://www.cevreciyiz.com)

TSKB launched [www.cevreciyiz.com](http://www.cevreciyiz.com), its first project in the field of sustainability, in 2007.

Celebrating its 13<sup>th</sup> year, [www.cevreciyiz.com](http://www.cevreciyiz.com) offers a diverse range of content on different topics such as sustainability-related business ideas, environmentally friendly designs, alternative energy resources, environmentally friendly consumption trends and examples green architecture, and has become a source of inspiration for the sustainable business world.

TSKB rolls out the impact it creates through [www.cevreciyiz.com](http://www.cevreciyiz.com) to large segments of society through its posts on social media channels.

During 2020, [www.cevreciyiz.com](http://www.cevreciyiz.com) focused on issues which threaten sustainability, in particular global warming and climate change. Since March, while the whole world's attention has been on the social and environmental effects of the coronavirus pandemic, the website supported the work of reliable international platforms in the field of sustainability, discussing the pandemic in detail with a focus on the environment, people and the future.

In 2020, the website provided its readers with a wealth of high quality and responsible broadcasts with more than 160 items of content on energy, environment, ecosystems, climate, the work of civil society and good practices from the business world.





### Sustainability Workshops

With the Sustainability Workshops organized since 2012, TSKB aims to raise awareness of sustainability and enhance perceptions among university students, who will be the decision makers of the future. The workshop, which organized in cooperation with ESCARUS, a group company operating in the field of sustainability consultancy, is held at a different university every year. Students participating in the workshops come together with consultants from TSKB and ESCARUS to conduct a case analysis on a real banking project focused on issues such as climate change, the carbon economy and the environment. The Sustainability Workshop program, which aims to share knowledge on a face-to-face basis with students, was postponed in 2020 due to the pandemic.

### The Zero Carbon Economy

Since 2008, TSKB has offset its entire carbon footprint arising from its internal activities with Gold Carbon Credits obtained from renewable energy companies. In addition, the Bank offsets all emissions arising from the concerts it sponsors at the Istanbul Music Festival.

Taking responsibility for the transition of the business world to a low-carbon economy, TSKB shares its support and experience on every platform with its loans, advisory solutions and social responsibility projects in the fields of renewable energy, energy and resource efficiency and by the spokespersons of the bank.

In 2020, 17 different interviews which brought the topics of sustainability, equal opportunity and green energy on the agenda, were carried out by TSKB's senior spokespersons and 27 sustainability-themed bulletins were published.



## Continuous Value Creation

**USD 300 million**

Financing provided to support women's employment and the economy in refugee-impacted areas during the last 2 years.

**1,551 SMEs, 1,079 jobs**

The Number of SMEs reached and the number of jobs created through APEX loans extended during the last 3 years.

## Future Projections



- » In addition to its activities in its main business lines, the Bank aims to expand and sustain the positive social impact it creates through social responsibility and awareness projects.
- » The Social Capital Targets are set out on page 113.



## SOCIAL CAPITAL

### SOCIAL CONTRIBUTION

*"At TSKB, we primarily aim to eliminate possible climate-related crises which could arise with the investments we finance. our efforts in this vein continue as we seek to expand our cooperation with the government, NGOs and universities, as well as all our stakeholders. We believe it is extremely important for banks to act jointly to adopt an approach to financing which helps prevent climate change and protects natural resources.*

**ECE BÖRÜ**  
Board Member and CEO

*"We consider each project as a contribution to the development of our country and to local and global sustainability. In this regard, we operate in line with the United Nations Sustainable Development Goals."*

**MERAL MURATHAN**  
Executive Vice President

#### Patara Ancient City Excavations

TSKB considers the protection of cultural and historical treasures as one of the cornerstones of sustainability. The Bank has been supporting the excavation works at the Patara ancient city, one of our country's important historical treasures, together with Türkiye İş Bank ve Şişe ve Cam Fabrikaları A.Ş. since 2016.

Patara, which was the capital of the Lycian Union and State, and which is located near the Kalkan town of Kaş in the Antalya district, offers a treasure trove of ruins with its amphitheatre, old parliament, temple, horrea (warehouse structures), stadium and baths.

In addition to unique monuments such as the "Lighthouse" and "Road Guide Monument", the ancient

city has also hosted a kulliye, which was the first Ottoman Radio Telegraph Station, since 1905. The excavation of the Patara Ancient City by the Ministry of Culture and Tourism has been carried out for nearly 30 years under the leadership of Prof. Dr. Fahri Işık and Prof. Dr. Havva Işkan Işık, who are faculty members of the Department of Classical Archeology, Faculty of Letters at Akdeniz University.

#### Support provided to the Hand by Hand for Hatay Campaign by TSKB

TSKB supported the Hand in Hand campaign for Hatay initiated after the forest fires in the Hatay province, in a bid to regenerate the forests ravaged by the fire, with a donation to TEMA to plant saplings on behalf of the entire TSKB family.





## EQUAL OPPORTUNITY PROJECTS

With its recent focus on inclusive development, TSKB extends funds to the private sector to increase women's employment. Among companies participating in the Women Friendly Loan Program in the 2018-2020 period, there was a 25% improvement in performance in development areas such as policies, education, working conditions and representation in management.

Taking advantage of the knowledge and experience which it gained during this period, TSKB designed and implemented equal opportunity projects in areas which it believes it can make a difference.

### “From Education to Production” Scholarship Fund

Women's participation in the economy offers tremendous potential to increase our country's welfare. The realization of this potential is related to the empowerment of women through education. Acting with this belief, TSKB established the “From Education to Production” Scholarship Fund.

With the scholarship fund established in cooperation with the Turkish Educational Foundation (TEV), girls attending university on the 3<sup>rd</sup> and 4<sup>th</sup> years of their course receive support every year. Beyond being a scholarship fund, the project also offers its stakeholders opportunities such as mentorship, education and internships with the aim of ensuring that more and more women take part in work life.

Taking important steps to empower future female employees in the fields of education and equal opportunities, TSKB increased its annual contribution to cover 70 girls in 2020, to mark the celebration of its 70<sup>th</sup> year of operation.

### #EqualSteps

The digital platform, [www.esitadimlar.com](http://www.esitadimlar.com), which was implemented in cooperation with SKD Turkey (the Business World and Sustainable Development Association Turkey), offers a comprehensive guide for all companies seeking to take steps to support women's employment and improve the approach of equal opportunities in the workplace.

With its digital library and effective use of social media channels, #EşitAdımlar has progressed towards becoming a platform which hosts successful applications from Turkey and the world, along with roadmaps, standards and regulations on the subject and all qualified research carried out in this field.

In 2020, a total of 213 contents were shared on the #EşitAdımlar website. The website attracted a 3.5-fold increase in its number of visits and a 2.5-fold rise in the rate of visitors to the website reading the articles when compared to the previous year. There was a 53% increase in the number of followers on the platform on social media when compared to the previous year. #EşitAdımlar closely followed the impact of the pandemic on the female workforce, with 65 articles written under this theme.

The Finance in Common Summit, the first global meeting of more than 450 development banks, organized under the leadership of the International Development Finance Club (IDFC), also featured sustainability or climate-oriented national or international projects / programs led by development banks in their respective spheres of influence. #EşitAdımlar was among the 30 projects to be recognised as one of the best practices.

### Women Stars of Tomorrow

TSKB's support for cultural and artistic activities has been well known for many years. The Bank has been supporting the concerts within the scope of the Music Festival organized by the Istanbul Foundation for Culture and Arts (IKSV) since 1990.

TSKB has also served as a pioneer in its work in this field, enabling the festival's first and only Zero Carbon concerts to be realized by offsetting the carbon footprint of the concerts under its sponsorship between 2014 and 2017.

Every year since 2018, TSKB has been supporting the advancement of the international careers of gifted young female musicians in the instrumental, vocal and conducting areas with the “Women Stars of Tomorrow” education support fund, which was launched within the scope of the Istanbul Music Festival. Women musicians who are accepted at undergraduate or postgraduate level by a music school abroad, who continue their music education abroad or who need support in their participation in activities such as master classes, orchestra selection, international competitions, or in the purchase of musical instruments, which will contribute positively to their career development, can apply to this fund.

Due to the pandemic, the 2020 concert was held on the online platform. The concert, which was filmed at the Süreyya Opera House, with women musicians accompanied by the renowned pianist Ayşegül Sarıca, was broadcast for one month. Attracting a total audience of more than 3,600 during this period, it was the most watched concert after the Opening Concert, streamed free of charge within the scope of the Istanbul Music Festival.

A total of 40 students benefited from the scholarship fund, including 14 in 2018, 14 in 2019 and 12 in 2020.



## SOCIAL CAPITAL

### SOCIAL CONTRIBUTION

#### EXPERIENCE SHARING AND REPORTING

TSKB share the economic, environmental and social impact resulting from its banking activities through experience sharing and reporting activities and establishes mutual interaction with its stakeholders.

TSKB also establishes productive cooperation with NGOs which generate value in areas such as sustainability and women's employment. TSKB is actively involved in the "Equal Opportunity" and "Sustainability" working groups of a number of national and international initiatives such as the SKD Turkey, TÜSIAD, Global Compact, UNEP FI, IDFC, and supports joint projects.

A summary of TSKB's work in this field, which come to the forefront in 2020, is provided below:

- The UN Global Compact Young SDG Innovators TSKB was the only financial institution from Turkey to participate in the Young SDG Innovators Program (YSIP), which was hosted for the first time in the world by the UN Global Compact, and where the young employees under the age of 35 from member companies represent their organizations.
- Finance in Common Summit TSKB was the signatory of three different declarations, on "Gender Equality", "Biodiversity Protection" and "Combating Climate Change" at the "Finance in Common" summit, which is the first global meeting of development banks around the world, and organized under the leadership of the IDFC. TSKB led the session on "Development Banks as Actors for Change Towards Gender Equality" held under the moderation of UN Women, with TSKB participating in the session together with the African Development Bank and the FinDev Canada Green Climate Fund (GCF) as a speaker.

The commitments spelt out in the "Gender Equality" declaration will be followed up in order to present the results in the "Generation Equality Forum" to be held in 2021.

- IIRC Global Conference-Country Spotlight: Turkey TSKB attended IIRC Global Conference-Country Spotlight on Turkey as a speaker under the moderation of the ERTA, which provided a forum to discuss the power of integrated thinking and integrated reporting in improving the investment environment as well as companies' value creation stories.
- Quality Congress "Responsible Leadership in Times of Pandemic and Crisis" TSKB participated in the event held under the title of New Directions, New Horizons as a speaker.
- The Panel on Women's Employment in the Pandemic and Social Impact Training with the SDA Turkey TSKB sits on the board of directors of the SKD Turkey and leads the Women's Employment and Equal Opportunity working group. In 2020, within the scope of the # EşitAdımlar Platform, the social impact measurement training program focused on the issue of gender equality was held in an online panel where SDA -Turkey members shared practices regarding women's employment and equal opportunity during the pandemic.

Going forward, TSKB will continue to cooperate with international initiatives such as the IDFC, D20-LTIC, ELTI, UNEP FI and ADFIMI, which it is a member of. It will continue to work in line with Turkey's goals and needs. In light of these collaborations, TSKB aims to follow global trends and good practices and implement pioneering practices aimed at raising awareness in the sector. In this context, the Bank issued its first report within the scope of UNEP-FI Responsible Banking principles in 2020.

TSKB has carried out sustainability and integrated reporting for 10 years. TSKB has inspired numerous companies, especially in the banking sector, to integrate sustainability in business cycles and to pursue transparent stakeholder communication. The integrated reports published by TSKB are among the few pioneering reports to be considered as case studies in workshops, meetings and benchmark studies organized by the initiatives operating to promote integrated reporting in Turkey.

In addition, TSKB also periodically conducts Stakeholder Dialogue talks. The Bank receives contributions and recommendations from all stakeholder groups and takes care to include all relevant parties in the development journey.

Believing that the power of influence of social responsibility projects becomes established over time, TSKB is focused on implementing the concept of long-term responsibility. Acting on this understanding, it is committed to developing projects and increasing its contribution in areas which will play a key role in our country's sustainable development story, like climate change and women's employment, in the coming years.

#### Actively participating to sectoral events to strengthen stakeholder communication

Sectoral organizations play an important role in helping TSKB reach a wide range of stakeholders and share its experience. Within the scope of these organizations, TSKB improves its dialogue with its stakeholders and contributes significantly to the awareness of participants on issues of sustainability.

TSKB's participation and contribution in this regard is not limited to Turkey. TSKB employees also share the Bank's expertise in the international arena as speakers in capacity building training and in global summits.





**TSKB'S SUSTAINABILITY JOURNEY HAS BEEN CROWNED WITH RESPONSIBILITY PROJECTS, IS EVOLVING INTO THE FUTURE WITH ITS EXPERIENCE AND SHARING ACTIVITIES**



With its social projects, TSKB is focused on increasing the number of similar good practices in the business world, touching the lives of more people and contributing to the development of a productive ecosystem which protects the environment with tangible results.

2007

**cevreciyiz.com**

2008

**Zero Carbon Banking**

2012

**Sustainability Workshops**

2016

**Patara Ancient City**

2017

**From Education to Production**

2018

**Women Stars of Tomorrow**

2018

**esitadimlar.com**

2020

**Green Swan Platform**



# SOCIAL CAPITAL

## SOCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

The Bank continues to create both direct and indirect positive social impacts through social responsibility projects and financial support for inclusiveness.

2020 TARGETS	2020 REALIZATIONS
<p>In line with SDGs and inclusive finance, providing USD 250 million in funding by the end of 2020 in order to support women’s employment and the economy in refugee-impacted areas.</p>	<p>USD 300 million in financing was provided. ✓</p>
<p>In line with SDGs and inclusive finance, supporting women’s employment, equal opportunities and the economy in refugeeaffected areas and increasing awareness.</p>	<p>Apex Loans have reached 1,551 SMEs in the last 3 years, creating an additional 1,079 jobs.</p> <p>As a result of the action plans, there was a 15% increase in the average score of the companies in 2020.*</p> <p>In 2020, scholarships were provided to 82 female students on behalf of external stakeholders.</p> <p>The fourth International Women’s Day Event, which TSKB organizes with the AFD every March to draw attention to gender equality, was held under the title “Women in Business Life from a Social Perspective”</p>
<p>Diversifying the activity in the field of sustainable development, where TSKB is a pioneer, and raising awareness in our country.</p>	<p>Seven social and environmental conferences were sponsored in 2020.</p> <p>The 57 employees involved in the sustainability structure, representing 15% of TSKB’s banking staff, share their knowledge and experience with the business world on different platforms. ✓</p>

\* In the loans provided from the IBRD and AFD under the themes of providing gender equality in the workplace and improving women's employment, the application tool consisting of seven main categories was used so companies could carry out self-evaluation.



## FUTURE TARGETS



S1

Within the scope of SDG 8-Decent Work and Economic Growth

To provide **USD 150 million** in financing in order to contribute to boosting the resilience of the companies adversely affected by the **Covid-19** pandemic, to address their liquidity needs and to support the sustainability of their activities.



S2

**Within the scope of SDG 5-Gender Equality and SDG 8-Decent Work and Economic Growth**

To provide **USD 200 million** in financing to support women's employment and support the economy in the developing regions.



S3

Within the scope of SDG 17-Partnerships to Achieve the Goal

**to raise awareness and a consciousness of climate change** by bringing together our different stakeholders through the Green Swan Platform.



S4

To increase awareness by strengthening collaborations on the SDG 5 Gender Equality within the scope of the "Paris Declaration on **Gender Equality** and Women's Empowerment, which we signed last year for IDFC - FiCS.



S5

To achieve an improvement of **20%** in the average company score of the companies in the next 3 years (2021-2023) as a result of the action plans determined within the scope of the **gender equality and improving women's employment.**



S6

In 2021, to award scholarships to **30 female students and young musicians** with the TEV "From Education to Production" Scholarship Fund and the IKSV Women Stars of Tomorrow project.

\* In loans provided from the IBRD and AFD under the themes of providing gender equality in the workplace and improving women's employment, the application tool consisting of 7 main categories is used for companies to carry out self-evaluation.



# 3

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

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## Focus on Structural Changes During Recovery Times

Funding tools focused on development and structural transformation is more important in post pandemic environment in order to target a more greener, fair and inclusive recovery. Financial Institutions mainly the Development Finance Institutions play an important role in supporting the sustainable development with their strength in transformation.

For more details:

[https://www.tskb.com.tr/i/assets/document/pdf/in\\_search\\_of\\_transformational\\_recovery.pdf](https://www.tskb.com.tr/i/assets/document/pdf/in_search_of_transformational_recovery.pdf)



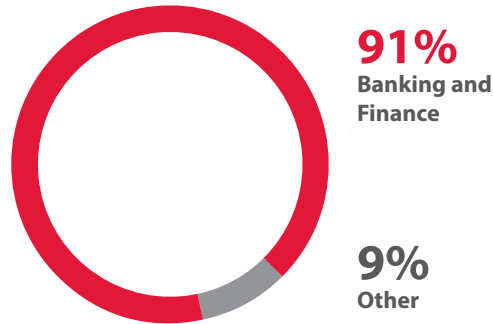
## BOARD OF DIRECTORS



### COMMITTEE MEMBERSHIPS OF BOARD MEMBERS

- Credit Revision Committee
  - Audit Committee
  - Corporate Governance Committee
  - Remuneration Committee
  - Sustainability Committee
- C** Chairperson of the relevant committee

### BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



### H. Ersin ÖZİNCE

#### Chairman

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at Isbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at Isbank, Mr. Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. On 28 October 1998, Mr. Özince was appointed as the 15<sup>th</sup> Chief Executive Officer of Isbank. Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince performed the Chairmanship of Isbank Board between 1 April 2011 – 31 March 2019. Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of TSKB between 17 April 2009 – 1 April 2011, the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 October 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017 and as the Chairman of the Board of Directors of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund between 9 November 1998 - 17 July 2020. Mr. Özince has been the Chairman of TSKB's Board of Directors since 4 May 2017. In addition to his duties at the Bank, he serves as the Chairman of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation).



### **Mahmut MAGEMİZOĞLU**

Vice Chairman

(Independent Board Member\*)

Mahmut Magemizoğlu graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration and obtained his Master's degree in Investment Analysis from the University of Stirling in the UK. Mahmut Magemizoğlu started his professional career in 1982 at Türkiye İş Bankası as Assistant Inspector and held various managerial positions between 1992 and 1999. Magemizoğlu served as the Subsidiaries Division Head between 1999 and 2005, and worked as the Deputy Chief Executive of Türkiye İş Bankası between 2005 and 2016. After having acted as the Senior Deputy Chief Executive between 2016 and 2018, Magemizoğlu retired in September 2018. To date, Mr. Magemizoğlu has served as chairman or board member on the board of directors of more than 20 companies. Mr. Magemizoğlu served as the Senior Advisor to the CEO of Türkiye İş Bankası between 2018 and 2020. Mr. Magemizoğlu was appointed as Board Member of TSKB on 5 May 2020 and is serving as vice Chairman and the head of Audit Committee.



### **Ece BÖRÜ**

Board Member and CEO

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. Promoted to Executive Vice President In 2013 Ms. Börü was in charge of Enterprise Architecture and Process Management, Human Resources, Corporate Communications Departments between 2013-2017. In 2017, Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control Department. As of 25 August 2020, Ms. Börü has been appointed as Chief Executive Officer and as a member of Board of Directors of TSKB.

### **Yavuz CANEVi**

Board Member

Yavuz Canevi was born in Konya in 1939 and graduated from the Finance and Economics Department of the Faculty of Political Sciences, Ankara University in 1960. He completed a master's degree at the University of Southern California in 1969. After serving as a Ministry of Finance Inspector from 1960 to 1963, he worked in a variety of positions in public and private organizations from 1963 to 1989, until being retired from his position as Treasury Undersecretary in the latter year. Mr. Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası since 1996. Mr. Canevi, who had served as a member of TSKB's Board of Directors between 1993 and 2012, was re-appointed as a member of TSKB's Board of Directors on 9 April 2015.

\*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.



## BOARD OF DIRECTORS



### **Bahattin ÖZARSLANTÜRK**

#### Board Member

Born in 1971, Mr. Özarlantürk graduated from İstanbul University, department of Business Administration. He started his professional career in 1994 at Türkiye İş Bankası Zincirlikuyu Branch as assistant loan specialist. Özarlantürk, who continued to work as a Specialist in the Risk Management Department in 2000, became Assistant Manager in the Corporate Loans Department in 2002 and the Regional Manager in the same department in 2006. He serves as Hadımköy Commercial Branch Manager in 2009, Güneşli Corporate Branch Manager in 2011, Commercial Loans Allocation Manager in 2013 and Başkent Corporate Branch Manager in 2017. Finally, he was appointed as İstanbul Corporate Branch Manager on January 30, 2020. Mr. Özarlantürk was elected as a member of TSKB's Board of Directors in 24 August 2020.

### **Mithat RENDE**

#### Board Member

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara and assumed various duties in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London Embassies and Permanent Representatives. Mr. Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005, he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Mr. Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate Change between 2010-2013. He was also a member on the Turkish Nuclear Energy Commission during the same period. Mr. Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. Having retired in 2016, Mithat Rende has been a member of the TSKB Board of Directors since 4 April 2017. Mr. Rende is an Independent Board Member.

### **Zeynep Hansu UÇAR**

#### Board Member

Ms. Zeynep Hansu Uçar was born in Ankara in 1971 and graduated from Business Administration Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. Ms. Uçar has started her professional career at Isbank as an assistant specialist in Subsidiaries Department. Having served as the Unit Manager between 2007 and 2015, she was promoted as Department Manager of the Subsidiaries Department. Ms. Uçar has been a TSKB board member since 2 December 2015.

### **Ozan UYAR**

#### Board Member

Ozan Uyar was born in 1974 in Eskişehir and graduated from the Management Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1997. Mr. Uyar started his professional career at İşbank as Assistant Inspector on the Board of Inspectors in 1997 and he came to several management positions at Commercial Loans Underwriting Division since 2006. Mr. Uyar was appointed as Head of Credit Portfolio Management Division in 2015 and Corporate Banking Marketing and Sales Division in 2017. Mr. Uyar has been positioned as Head of Corporate Loans Underwriting Division in January 2020 and as Head of Project Finance Division in August 2020. Ozan Uyar has been elected as a member of the TSKB's Board of Directors in 5 May 2020.





### Abdi Serdar ÜSTÜNSALİH

#### Board Member

Mr. Üstünsalih, born in 1963 in Trabzon, began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments at VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Mr. Üstünsalih became Executive Vice President in July 2018 and he has been CEO and Executive Board Member of VakıfBank since 27 May 2019. Moreover, Mr. Üstünsalih is a Board Member of the Banks Association of Turkey. Mr. Üstünsalih has been serving as a Board Member of TSKB since 25 June 2019.



### Gamze YALÇIN

#### Independent Board Member\*

Ms. Gamze Yalçın has a BSc degree in Economics from the Middle East Technical University. She also holds a master's degree in International Banking and Finance from the University of Birmingham, UK. She attended to the Advanced Management Program (AMP193) in Harvard Business School in 2017. Ms. Yalçın started her professional career at Isbank as a business analyst in 1993 and has served in various functions of the Bank. She worked in the establishment and implementation of risk management systems and processes as a risk manager. Ms. Yalçın was appointed as Deputy Chief Executive in charge of Financial Institutions and Investor Relations on 28 November 2017. Gamze Yalçın was appointed as TSKB Board Member on 18 April 2019. Due to being a member of the Bank's Audit Committee, Ms. Yalçın is an Independent Board Member.

### Hüseyin YALÇIN

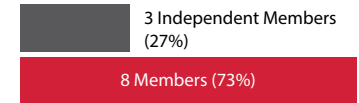
#### Board Member

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at Isbank in 2011 and worked for 6 years in same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Since 6 April 2018, Mr. Yalçın has been a TSKB Board Member.

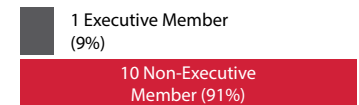
\*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communique No: II.17.1., Article 6/(3)-a.

## BREAKDOWN IN TERMS OF INDEPENDENCE&ROLES (%)

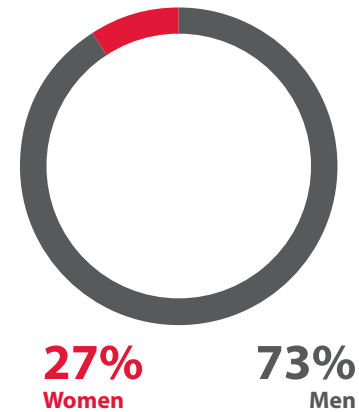
With respect to Independency



With respect to roles



## BREAKDOWN BY GENDER (%)





## SENIOR MANAGEMENT



### **Ece BÖRÜ**

#### **Board Member and CEO**

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. Promoted to Executive Vice President in 2013 Ms. Börü was in charge of Enterprise Architecture and Process Management, Human Resources, Corporate Communications Departments between 2013-2017. In 2017, Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control Department. As of 25 August 2020, Ms. Börü has been appointed as Chief Executive Officer and as a member of Board of Directors of TSKB.

### **Meral MURATHAN**

#### **Executive Vice President**

Meral Murathan was born in Erzurum in 1977, and graduated from the department of Economics at Boğaziçi University. She started her career in TSKB Treasury Department in 1998. After serving in a variety of roles and positions, she was promoted as Head of Financial Institutions in 2012. Meral Murathan promoted to Executive Vice President position in 1 April 2019. She has been currently in charge of Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring and Engineering and Technical Advisory Departments.

### **Aslı Zerrin HANCI**

#### **Executive Vice President**

Aslı Hancı was born in Ankara in 1969 and graduated from the Faculty of Business Administration at İstanbul University in 1990. Having begun her professional career at Citibank in 1991, she worked at 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, Head of Treasury Department in 2008 and promoted to Executive Vice President position in 1 January 2017. She has been currently in charge of Treasury, Treasury and Capital Markets Operations, Loan Operations and Corporate Communications Departments.

### **Hasan HEPKAYA**

#### **Executive Vice President**

Hasan Hepkaya was born in Samsun in 1981, and graduated from the department of Business Administration at Hacettepe University. He started his career in Garanti Leasing in 2003. After serving in a variety of roles and positions in Corporate Banking and Project Finance Departments in TSKB between 2005 - 2014, he was promoted as Head of Project Finance and Head of Corporate Banking respectively between 2014-2018. As of 1 April 2019, Hasan Hepkaya has been appointed as Executive Vice President in charge of Corporate Banking Marketing, Project Finance, Corporate Banking Sales, Economic Research, Financial Advisory Departments and Business Development & Advisory Management Office.

### **Hakan AYGEN**

#### **Executive Vice President**

Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of İstanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree on Management and Organization at the Marmara University in 1996. Mr. Aygen was appointed to Head of Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted as Executive Vice President on November 28, 2013. Mr. Aygen has currently been in charge of Corporate Finance, Loans Allocation, Loan Analysis and Specialized Loans Departments.



### Hidayet Yetkin KESLER

Executive Vice President

H. Yetkin Kesler was born in Istanbul 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 Istanbul 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. In 1 January 2017, Kesler was appointed as Executive Vice President and has currently been responsible for Human Resources, Enterprise Architecture and Process Management and Pension and Assistance Funds.

### Gökhan ÇANAKPINAR

Executive Vice President

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at Isbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since December 27, 2011 he has been working as an Executive Vice President. He is currently in charge of System and Network Support, Application Development, Support Services Departments.

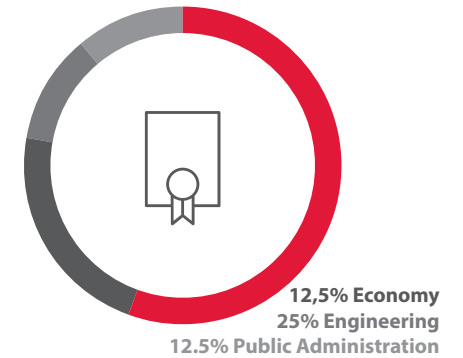
### Aziz Ferit ERASLAN

Executive Vice President

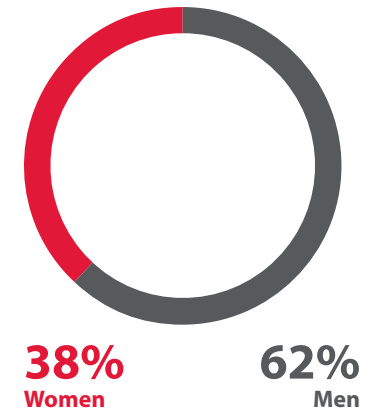
Aziz Ferit Eraslan was born in Istanbul in 1969. Following his graduation from the Public Administration Department of Orta Doğu Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at Isbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of Isbank, Mr. Eraslan was appointed as Deputy Manager in 2000 and as Group Manager in 2003. Between 2007 and 2012, he was positioned as the Department Head at the Accounting Department, name of which was in time transformed to Financial Management Department. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer position at Closed Joint Stock Company 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. In September 2020, he was appointed as Executive Vice President who is responsible for Financial Control, Budget Planning and Corporate Compliance Departments.

### BREAKDOWN BY PROFESSIONAL COMPETENCE (%)

50% Business Administration



### BREAKDOWN BY GENDER (%)





# CORPORATE GOVERNANCE COMPLIANCE REPORT

## SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter “TSKB” or the “Bank”) is subject to “Corporate Governance Principles” compliance of which is obligatory for banks within the framework of Capital Markets Board (CMB) and banking regulations. According to the Bank’s Articles of Association Article 55, transactions made and the resolutions of the Board of Directors passed by not observing the said obligatory principles shall be deemed as conflicting with the Articles of Association. The Bank applies the compulsory principles in “Banks’ Corporate Governance Principles Regulation” and “Corporate Governance Communique”.

Although most of the non-compulsory Corporate Governance Principles are met, there are still some principles observed incompletely, which are stated below. There are no conflicts of interest arising from failure to fully comply with the non-compulsory principles that the Bank has been exposed to.

- In relation to the principle no. 1.5.2, there is no regulation in the Bank’s articles of association except for the provisions stipulated by the relevant legislation on minority rights.
- In relation to the principle no. 4.6.1, the performance of the Board of Directors is not assessed via a special evaluation.
- In relation to the Principle 4.6.5, due to corporate policies, the Bank does not announce the remuneration of the senior management and board member on a personal basis. The total figure is announced in the annual report.

Filed in accordance with Capital Market Board Resolution numbered 2/49 and dated January 10, 2019, Bank’s Corporate Governance Principles Compliance Report (CRF) and Corporate Governance Information Filings (CGIF) can be reached at Public Disclosure Platform (PDP).

A leading institution in corporate governance, the Bank attained a corporate governance rating in 2020 that enabled it to maintain its position among the highest-rated institutions. TSKB’s corporate governance rating has been affirmed as 9.56 over 10 as the result of the assessment of Saha Rating on October 19, 2020. While the rating of the first three sections did not change, the Board of Directors section’s rating edged up to 9.39 with the number of women board members surging up to 3.

### TSKB’s Corporate Governance Rating

Main Sections	Weight	Grade
Shareholders	0.25	9.51
Public Disclosure and Transparency	0.25	9.70
Stakeholders	0.15	9.85
Board of Directors	0.35	9.39
<b>Total</b>		<b>9.56</b>

TSKB, which has a long history of sustainable banking and good ESG practices, operates in compliance with the Sustainability Principles Compliance Framework that was published by CMB’s resolution dated October 2, 2020. The Bank’s Sustainability Principles Compliance Report is found in the annex of this Integrated Annual Report.

- In relation to the environmental principles B/25, there has been no carbon pricing within the Bank’s practices yet. Transition to low carbon economy has been one of the strategic focus areas of the Bank for the last 20 years. There have been ongoing dedicated efforts on climate risks. After the targeted progress has been realized in this area, carbon pricing will also be considered as one of the steps ahead.



## SECTION II - SHAREHOLDERS

### 2.1. Investor Relations Department

Duties and responsibilities of "Stakeholder Relations Department" are executed pursuant to the fundamentals of corporate governance which are transparency, accountability, responsibility and equality by the departments of Financial Institutions&Investor Relations and Legal Affairs. "Investor Relations Department Manager", who holds Capital Market Activities Advanced Level Certificate and Corporate Governance Rating Specialist Certificate, serves as a member of Corporate Governance Committee as per the provisions of the governing legislation.

Contact details of the employees who take part in Investor Relations are given in the following table:

Full Name and Title	Phone No	Electronic Mail Address
<b>Meral Murathan</b> Executive Vice President for Financial Institutions and Investor Relations, Development Finance Institutions	0 212 334 51 24	murathanm@tskb.com.tr
<b>Ayşe Nazlıca</b> Head of Financial Institutions and Investor Relations Department	0 212 334 51 94	nazlicaa@tskb.com.tr
<b>Gizem Pamukçuoğlu</b> Financial Institutions and Investor Relations Department Senior Manager	0 212 334 52 58	erarslang@tskb.com.tr
<b>Özen Çaylı</b> Financial Institutions and Investor Relations Department Manager*	0 212 334 52 49	halilogluo@tskb.com.tr
<b>Özlem Bağdatlı</b> Head of Legal Affairs Department	0 212 334 50 93	bagdatlio@tskb.com.tr
<b>Korhan Aklar</b> Legal Affairs Department Senior Manager	0 212 334 50 92	aklark@tskb.com.tr

\*Ms. Özen Çaylı, Investor Relations Department Manager, holds Capital Market Activities Advanced Level Certificate (Certificate No: 204985) and Capital Market Board Corporate Governance Rating Specialist Certificate (Certificate No: 701337).

### 2.2. General Assembly Meeting

The Ordinary General Assembly was held on March 26, 2020 with the participation of 213.393.521.324 shares representing such capital in the total amount of 2.091.445.075,705 TL of 280.000.000.000 shares corresponding to the Bank's total capital of 2.800 million TL. The participation rate was 75%.

The following resolutions were discussed and voted by the shareholders at the meeting:

- Constitution of the Meeting Council in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Council for the execution of the minutes of the General Assembly, was resolved unanimously by the shareholders.
- Review and discussion of the Annual Reports of the Board of Directors and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2019, was approved by majority of the shareholders' votes.
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2019, was adopted by majority of the shareholders' votes.
- The appointment of Mr. Abdi Serdar Üstünsalih and Ms. Gamze Yalçın to replace Mr. Mehmet Emin Özcan and Ms. Ebru Özşuca who resigned from their office was adopted by majority of the shareholders' votes.
- Determination of release for the Members of the Board of Directors, was approved by the majority of the shareholders' votes.
- In line with the Bank's Profit Distribution Policy and in light of the economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels, and assessment by the Banking Regulation and Supervision Agency about our Industry, decision to maintain the profit in equity accounts was approved by the majority of the shareholders' votes. The General Assembly was informed on the bonus payments made to employees in 2019 and those proposed to be made in 2020.



## CORPORATE GOVERNANCE

- Determination of the attendance fee to be paid to the Members of the Board of Directors has been resolved by majority of the shareholders' votes.
- Appointing the independent audit firm, was adopted by the majority of the shareholders' votes.
- Donations made during the year, 180,400 TL, were submitted for the Information of the General Assembly. In addition, the determination of the upper limit for donations to be made in 2020 was approved with the majority of shareholders.
- Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commerce Code, Articles 395 and 396 was approved with the majority of shareholders.
- Pursuant to the Article 1.3.6. of the Communiqué for the Adoption and Implementation of the Corporate Governance Principles applicable by the Capital Markets Board, shareholders were informed that İş Bankası A.Ş. and TSKB are companies operating in the same sector and that some members of the Board of Directors are currently working for İş Bankası A.Ş. and Vakıflar Bankası T.A.O. in management positions.

Throughout the period, there has been no transaction where the decision had to be left to the discretion of the General Assembly due to independent board of directors' member rejections. The resolutions of the General Assembly meeting were published on Public Disclosure Platform on 26.03.2020.

### 2.3. Profit Distribution Policy

Dividend Payment Proposal of the Board of Directors is prepared in the framework of Profit Distribution Policy approved by the General Assembly regarding the sensitive balance between shareholders' expectations and the bank's growth requirement and the profitability of the Bank. Principles governing the Bank's dividend distribution are arranged in the Articles of Association, Article 47, and there are 100 founders' shares that receive a portion of the profits distributed subject to these principles.

The Bank's dividend payment policy was revised in 2019 has been disclosed to shareholders on the Bank's Turkish and English websites.

In the General Assembly Meeting on 26.03.2020, in line with the Bank's Profit Distribution Policy and in light of economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels and assessment by the Banking Regulation and Supervision Agency about our industry, the Proposal by our Board of Directors was unanimously approved, whereby a sum of 35.082.226,43 TL should be set aside as the statutory reserve fund out of the net financial year profit in the amount of 701.644.528,69 TL that was generated in 2019 and that a sum of 666.562.302,26 TL be transferred to extraordinary reserves and maintained in equity accounts. It was stated in the General Assembly Invitation published on Public Disclosure Platform on 26.02.2020 that no dividend will be distributed.

### SECTION III – STAKEHOLDERS

The stakeholders, who have an interest in the bank, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, the government and potential investors submit their complaints and recommendations to the Bank by means of a communication form that can be found on the Bank's website. Furthermore, stakeholder analysis done every two years contributes in this aspect.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues. The Bank, which continues to develop mechanisms to include employees into decision-making processes, receives employee feedback via committee activities as well as periodic surveys. Besides, "HR Representatives" project which gathers employees from every department and was launched in 2017 still actively in practice.

The participation of employees to the management is incorporated to the internal regulations. The employees are authorized according to their signing rating in pursuant to the Directive of Türkiye Sınai Kalkınma Bankası transfer of Representation Authority published on Trade Registry Newspaper at page 483, dated November 11, 2005 with the number 8944.

Employees are able to convey their opinions and claims to the relevant persons and have contribution to the company resolutions by means of "I Have a Recommendation" and "Complaint Form" that they can access on the Bank's intranet. Moreover, there are many committees that are formed by the Bank employees, concentrating on various issues. Participation of the employees in management is also made possible by means of these committees.



## SECTION IV – BOARD OF DIRECTORS

### 4.1. Board Members

Board of Directors consists of 11 members, which allows the activities of the Board of Directors to be organized effectively. Information about the Board of Directors' members and the CEO are given in the following table and their detailed resumes are accessible at the Bank's website and annual reports.

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Hakkı Ersin Özince	Board Chairman	Middle East Technical University, Economics and Administrative Sciences / Business Administration	44 years	4 May 2017	-	-
Mahmut Magemizoğlu*	Board Vice Chairman	The University of Stirling/M.A. in Investment Analysis	38 years	5 May 2020	Audit Committee Chairman, Credit Revision Committee Chairman	-
Ece Börü	Board Member and CEO	Istanbul Technical University, Management Engineering	31 years	25 Aug 2020	Credit Revision Committee Member, Sustainability Committee Member	TSKB A.Ş. CEO, Yatırım Finansman Menkul Değerler A.Ş. Board Chairman TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı Board Chairman, TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı Board Chairman
Yavuz Canevi	Board Member	University of Southern California/M.A. In Economics	40 years	9 Apr 2015	-	Türkiye Ekonomi Bankası Board Chairman, FNSS Savunma Sistemleri A.Ş. Board Chairman
Bahattin Özarslantürk	Board Member	Istanbul University/Business Administration	26 years	24 Aug 2020	Credit Revision Committee Member	T. İş Bankası A.Ş. Istanbul Corporate Branch Manager
Mithat Rende	Independent Board Member	London-RCDS/Security and International Relations	32 years	4 Apr 2017	Sustainability Committee Member	-
Zeynep Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Business Administration	27 years	2 Dec 2015	Corporate Governance Committee Member, Remuneration Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Subsidiaries Department Head, Türkiye Şişe ve Cam Fabrikaları A.Ş. Board Member, Trakya Yatırım Holding A.Ş. Board Chairman, T. İş Bankası Research Institute of Banking and Commercial Law, İşbank AG 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

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Ozan Uyar	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Business Administration	23 years	5 May 2020	Credit Revision Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Project Finance Department Head, İşbank AG Board Member
Abdi Serdar Üstünsalih	Board Member	Selçuk University, MS. Public Administration, Gazi University, MS. Information Technologies	29 Years	25 Jun 2019	-	T. Vakıflar Bankası T.A.O. CEO and Board Member
Gamze Yalçın*	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	27 Years	18.04.2019	Audit Committee Member, Corporate Governance Committee Chairman, Remuneration Committee Chairman	T. İş Bankası A.Ş. Executive Vice President, İşbank AG Board Chairman,
Hüseyin Yalçın	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	42 years	6 Apr 2018	-	-

\*Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

\*\*The working principles of the Board of Directors Committees are available on the Bank's website.

Mr. Suat İnce who was TSKB's CEO and Board Member resigned from his posts due to retirement as of 03.04.2020. Ms. Ece Börü who served as the deputy of CEO was appointed as CEO with the Board Resolution numbered 2449 and dated 12.08.2020. She took office as of 25.08.2020.

In place of Board Members Mr. Mehmet Şencan and Mr. Can Yücel who resigned from their posts, it was decided Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar to be appointed as a Board Member within the framework of Article 363 of the Turkish Commercial Code at the Board of Directors Meeting dated 05.05.2020.

In place of Board Member Mr. Ahmet Hakan Ünal who resigned from his post, Mr. Bahattin Özarslantürk has been elected pursuant to the Article 363 of the Turkish Commercial Code at the Board of Directors Meeting dated 14.08.2020.

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, 2020, there have been three women members in the Board of Directors in line with the Bank's 25% target.





#### **4.2. Operating Principles of the Board of Directors**

Board of Directors gathers periodically, at least once a month, or more where the Company's business so dictates. The meeting date is set so as to allow participation of all Board Members, and Board of Directors meetings are held by participation of all members, excluding the exceptional cases under unforeseen circumstances.

In principle, Board Members participate in every meeting. Moreover, Board Members may choose to participate Board Meeting on electronic environment.

The Board's first meeting is preferably held on the same day that the board is elected. At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

A draft of the agenda for a board meeting is prepared by the CEO and finalized in line with the suggestions of the chairman and other directors. The information and documents pertaining to items on the board's agenda are sent out to members to be reviewed at least four days before the meeting. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

There is a secretariat in place for the purpose of notifying and organizing the communications with the Board of Directors. Summoning the Board of Directors meetings are made by means of phone at first, which is followed by written invitation.

Each board member is entitled to a single vote. As stipulated in the Articles of Association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board of Directors convened 43 times between 1 January 2020 and 31 December 2020. Board members participate in all meetings in principle. 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 insurance policy signed by Türkiye İş Bankası A.Ş. for its group companies.

Information on the Board of Directors Committees is available in the Investor Relations section of the Bank's website under Investor Relations.

#### **4.3. Remuneration Policy**

The Bank carries out its activities regarding remuneration policies within the framework of the related banking regulations and Capital Market regulations. TSKB's Remuneration Policy is available on the Bank's corporate website in Investor Relations section. This policy covers all managers and employees.

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit 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 15.382 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 180.017.



## PROFIT DISTRIBUTION PROPOSAL

A. The General Assembly shall be offered to reserve and distribute 2020 Net Profit of TL 732,828,578.31 as follows in accordance with Article 47 of our Articles of Association which is currently in force;

1. in accordance with paragraph (a) of 47<sup>th</sup> article of our Articles of Association, to the allocation of TL 36,641,428.92 which is 5% of the net profit as legal reserve fund,
2. in accordance with the paragraph (b) of 47<sup>th</sup> article of our Articles of Association, to the allocation of TL 73,280,776.02 as first dividend,
3. to the allocation of TL 40,000,000 as venture capital fund to be directed to venture investment trusts and funds,
4. Out of the TL 582,906,373.37, the remnant after the reduction of 1-3 articles above, in accordance with the paragraph (d) of 47<sup>th</sup> article of our Articles of Association,
  - a) to the distribution of gross amount of TL 2,081.81, which is 5% of the aforementioned remainder (to be limited with the part of 200,000 of paid-in capital), to the founder shares to be TL 20.82 to each founder share;
5. in accordance with the paragraph 2/(c) of 519<sup>th</sup> article of Turkish Trade Code, to the allocation of TL 208.18 as statutory reserve fund,
6. to the allocation of TL 582,904,083.38 the remainder, as extraordinary reserve fund,
7. to the distribution of gross TL 73,280,776.02 in full, which is the first dividend stated in 2<sup>nd</sup> article above and corresponds to 2.62% of the paid-in capital, is to be distributed to shareholders as cash dividend,
8. to the distribution of cash dividends equivalent to TL 73,280,776.02 starting 29 March 2021, to recommend to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above,

B. To the allocation of TL 954,973.87, which was formerly allocated pursuant to the Article 5-1/(e) of Corporate Tax Law numbered 5520, due to expiration of the time determined by the relevant regulation, as extraordinary reserve fund,

To the submittal of allocation of the impact amounting to TL 303,505,096.16 as a result of the transfer to Turkish Accounting Standard 27 as extraordinary reserve fund to information of the General Assembly,

C. to the submittal of 31.12.2020 balance sheet and profit and loss statement which was approved by the Board of Directors to the General Assembly,

We hereby submit to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

Board of Directors

# SUMMARIZED BOARD OF DIRECTORS' REPORT

## Summary Board of Directors Report

To our shareholders,

You are all welcome to the 71<sup>st</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 2020 accounting period as well as profit and loss statements.

The COVID-19 epidemic, which spread around the world in 2020, has been at the top of the agenda throughout the year with its effects on public health and its reflections on the economy. While the developments and uncertainties regarding the epidemic have significantly weakened the growth outlook of the world economy, the negative effects of the pandemic have been tried to be mitigated by global incentives and expansionary monetary and fiscal policies. Accordingly, it is expected that the current liquidity conditions and low interest environment in the world will continue for a while.

Turkey's economy made a strong start to 2020. However, our country has lost momentum in line with global trends with the outbreak of the pandemic. Despite the rapid recovery in the economy in the third quarter with the monetary and fiscal measures taken, the increasing number of cases and restraint measures towards the last quarter of the year keep the risks on the outlook alive. The vaccination process and its results, which will determine the course of the economy in the next period, are closely monitored. Expectations point to a slightly positive growth in 2020 and a moderate recovery in 2021.

The leading role of the banking sector in 2020 Turkey's economy has become even more critical. With the temporary measures taken by the BRSA, the effects of the epidemic on the banking sector have been reduced, and the banks have continued to provide increasing support to all their corporate and individual customers. As of the end of 2020, the asset size of the sector reached 6.1 trillion TL with an increase of 36%, and the total equity increased by 22% to 599 billion TL. Loans of the sector increased by 35% to TL 3.6 trillion. In the face of increasing risks, within the framework of the cautious approach of banks, there was an annual increase of 30% in provision expenses, despite these conditions, the net profit of the sector increased by 22% in the same period.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2020, on a year-on-year basis, the Bank elevated:

- its total assets by 24% to reach TL 51,5 billion,
- its shareholders' equity by 18% to reach TL 6,1 billion.
- its loans by 24,5% to reach TL 39,1 billion.

Increasing its banking income by 30% on an annual basis, our Bank's net profit for the year 2020 was 732.8 million TL. As of the end of the year, the capital adequacy ratio calculated excluding the temporary measures of the BRSA was realized as 16.6%, well above the legal requirements.

Availing ourselves of this opportunity, we would like to thank our business partners, employees and all stakeholders for their contribution to such successful results and extend our warmest regards to our shareholders that honored our General Assembly meeting.

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.  
BOARD OF DIRECTORS



## OTHER MAJOR UPDATES ON CORPORATE OPERATIONS

### Disclosures on Private Audit and Public Audit During the Accounting Period

During the current accounting period, a private audit has not been conducted at the Bank as per Articles 207, 438 and 439 of the Turkish Commercial Code. The Bank is subject to public audit by public institutions such as the BRSA, CBRT, CMB and the Competition Authority. If any matters requiring a public disclosure arise in relation to the audits conducted at the Bank by public institutions, they are publicly shared through material disclosures.

### Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Violating Legislative Provisions

Information on court proceedings is 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 2020 drafted pursuant to Article 199 of the Turkish Commercial Code No. 6102 is provided below:

"Between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto, there are no legal procedures completed under the instructions of our controlling shareholder to the benefit of the latter or of a company affiliated thereto and no measures taken or avoided to the benefit of our controlling shareholder or a company affiliated thereto.

Furthermore, the commercial transactions, which are concluded between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto and are provided in the report in detail, are transactions required by our Bank's operations and are completed over the equal values applicable in the market. They are compliant with the principle prescribed in Article 202 of the Turkish Commercial Code No. 6102 that the controlling shareholder cannot exercise its control in a way to inflict loss on its subsidiaries.

There are no decisions against or transactions inflicting loss on our Bank under the instructions of Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto."

### Information on Operational Fields for which Support Services are Outsourced Pursuant to the Regulation on Outsourcing of Support Services by Banks and Information on the Persons and Organizations Supplying Such Services

The following services the Bank used in 2019 fall into the scope of the Regulation on Outsourcing of Support Services by Banks promulgated on November 5, 2011.

1. Server Hosting for Emergency Services provided by Superonline İletişim Hizmetleri A.Ş.
2. Riskfree Treasury Valuation System Service provided by Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
3. Swift Service Office Main Connection Service provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.
4. Internal Rating Model and Assets-Liabilities Management Infrastructure and Maintenance Service provided by Prometeia SPA
5. EFT Software Maintenance Service provided by BIS Çözüm Bilgisayar ve Entegrasyon Hizmetleri ve Tic. A.Ş.
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

There have been no amendments in the Bank's Articles of Association during 2020.



# RISK MANAGEMENT POLICIES

## Information On Risk Policies Based On Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the Bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

## Credit Risk Management Policy

Credit risk is the possibility that the credit client 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.



## RISK MANAGEMENT POLICIES

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by back testing which is the comparison between the calculated Value at Risk and realized losses. In addition; stress tests are applied in order to determine the impacts of events, with low possibility of realization but substantial losses, on Value at Risk.

### **II -Structural Interest Rate Risk Management Policy**

Structural interest rate risk is the risk of change in the Bank's capital due to possible changes in interest rates through differences in the repricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

### **III - Liquidity Risk Management Policy**

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the Bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.



### **Operational Risk Policy**

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethical standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of Daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

### **Risk Management Policy For Subsidiaries**

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

### **Policies Regarding Other Risks**

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill-timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the clients 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. Mahmut Magemizoğlu and Ms. Gamze Yalçın.

Audit Committee is responsible for;

- Ensuring the effectiveness and adequacy of the internal audit, internal control and risk management systems within the framework of the relevant legislation, on behalf of the Board of Directors,
- Supervising the functioning of the Internal systems, accounting and reporting systems within the framework of the Law and relevant regulations, and maintaining the integrity of the information produced,
- Making pre-assessment for the Board of Directors to choose independent audit corporations, and corporations that provide rating, valuation and support services, and regularly monitoring the activities of these corporations that sign contract with the Bank after they are chosen by the Board of Directors,
- Continuing and enabling the coordination of the Internal audit activities of the subsidiaries subject to consolidation in a consolidated manner,
- Regularly receiving reports from the units established within the scope of Internal systems, and from the independent audit corporations with respect to their execution of the tasks and reporting the detected malfunctions to the Board of Directors.

All members of the Audit Committee attended 49 meetings held by the Audit Committee in 2020.

### DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

Head of Internal Auditors: Mehmet Sungun			
Term of Office	Professional Experience	Worked Previously In	Education
7 Years	27 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
4,5 Years	22 Years	System Development and Quality Management, Board of Internal Auditors, Process Management, Internal Control Departments	Bachelor's Degree in Turkey
Head of Internal Control: Simay Kimyacı			
Term of Office	Professional Experience	Worked Previously In	Education
4 Years	22 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 2020

Audit Committee held 49 meetings in 2020. 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 Audit Committee, which was established to support the Board for executing its audit and oversight duties independently. 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 and Departments of Internal Audit, Internal Control and Risk Management.

### Board of Internal Auditors

Board of Internal Auditors provides assurance in; i) carrying out bank activities in line with the Law and other relevant legislation as well as the internal strategies, policies, principles and targets of the bank, and ii) effectiveness and adequacy of the internal control and risk management systems. Planning and carrying out its audit activities with risk oriented approach, the Audit Board evaluates the potential risks in Headquarters units, one branch, 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 2020, Board of Auditors conducted 40 audits in terms of banking processes and information systems in total composed of Head Office departments, Bank's 1 subsidiary 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 2020, 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.



# AUDIT COMMITTEE REPORT

## Internal Control

TSKB Internal Control System, which covers the Head Office units, as well as branches, the Bank subsidiaries which are consolidated and all Bank activities, has been structured to constantly ensure all determined financial and operational risks emanating from Bank's operations to be at an acceptable level and under control.

The sufficiency and efficiency of the Internal Control System steadily evaluated in the coordination of the Internal Control Department which ensure uninterrupted monitoring of the Bank personnel and relevant improvement efforts are put into practice.

During 2020, Internal Control Department worked on projects focused on measuring individual and interrelated operational risks, developing a strong corporate culture which comprises a risk approach in light of BRSA's Operational Risk Guideline and establishing structures that support the improvement of current internal control environment. With these efforts, "Three Lines of Defense" has been developed which is an effective way of managing risks and controlling operations to support the effectiveness and optimization of governance, risk and internal control systems. In this way, establishing the strong pillars of reassurance among Bank's stakeholders, authorities, Bank employees and Board of Directors with respect to the competency and efficiency of the internal control system is targeted.

The findings, comments and opinions withdrawn as a result of internal control activities held by the Internal Control Department are primarily shared and discussed with the persons executing the relevant operations. In this way, with the required complementary and pre-emptive measures taken rapidly, the most appropriate and applicable solutions which improve operations are delivered and put into practice.

The Audit Committee of the Bank periodically evaluates the efficiency of the internal control system and internal control operation results via activity reports prepared by the Internal Control Department.

## Risk Management

The risk management process, which is organized under risk management regulations and serves for the establishment of a companywide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities. Risk Management Department; i) carries out these activities developing the systems needed within this scope, ii) monitors risks' compliance with policies and standards, and Bank limits, iii) continues the activities for compliance with the relevant legal legislation and the Basel criteria. Risk measurements specified in reporting, are made with an approach developed in internal models besides the standard approach used in legal reporting, while they are also supported with the stress tests.

Risk Management Department submits its detailed unconsolidated risk management reports prepared on monthly basis and consolidated risk management reports on quarterly basis to the Board of Directors via the Audit Committee. In 2020, 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. 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 2020; there were also efforts spent on improvement of infrastructure and automation of reporting/analysis processes. The department also focused on internal policies and regulations to be in compliance with the BRSA Guidelines. 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 2020 activities and functioning of internal systems which comprise internal audit, internal control and risk management, we believe that the activities performed were highly qualified and satisfactory.

Mahmut Magemizoğlu  
Audit Committee Chairman

Gamze Yalçın  
Audit Committee Member



# 4

## ASSURANCE LETTERS AND CERTIFICATES

- 140** Independent Auditor's Report on the Annual Report of the Board of Directors
- 142** Independent Assurance Statement for Integrated Annual Report
- 146** Independent Assurance Statement for UNEP-FI Responsible Banking Principles Reporting Index
- 148** Reporting Guidance
- 154** ISO 14001 Certificate
- 155** ISO 14064 Certificates



## Women's empowerment is essential for long-term welfare!

G20 leaders target to reduce the difference between men and women's participation in the workforce by 25%. According to ILO's report, delivering the 25 by 25 target of G20 leaders would bring 5,8 billion USD support to global economy. Turkey ranked 130<sup>th</sup> out of 153 countries in the World Economic Forum's Global Gender Gap. Index 2020.

For more details:

[https://www.tskb.com.tr/i/assets/document/pdf/womens\\_skills\\_march2020.pdf](https://www.tskb.com.tr/i/assets/document/pdf/womens_skills_march2020.pdf)



## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



Ernst & Young  
Türkiye Sınai Kalkınma Bankası A.Ş.  
Başkanlık Kurulu ve Yönetim Kurulu  
2020 Yılı Faaliyet Raporu İçin  
Bağımsız Denetim Raporu

Dr. Ali İzzet Baysal  
Başkan  
Bağımsız Denetim Kurumu

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş

### 1) Qualified Opinion

We have audited the annual report of Türkiye Sınai Kalkınma Bankası A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") for the period of 1 January 2020 – 31 December 2020. In our opinion, except for the matter disclosed in the Basis for Qualified Opinion Paragraph, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

### 2) Basis for Qualified Opinion

As we have expressed a qualified opinion in our auditor's reports dated 1 February 2021, the consolidated financial statements of the Group as at 31 December 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2020 is understated by TL 220.000 thousand.

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's reports dated 1 February 2021 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2020 - 31 December 2020.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.



c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance, A member firm of Ernst & Young Global Limited
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

##### **5) Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, "Regulation on Accounting Applications for Banks Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.



2 March 2021  
İstanbul, Türkiye



# INDEPENDENT ASSURANCE STATEMENT FOR INTEGRATED ANNUAL REPORT



## To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

We have been engaged by the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the Bank's Integrated Annual Report ("the 2020 Integrated Annual Report") for the year ended 31 December 2020 and listed below.

### Selected Information

The scope of the Selected Information for the year ended 31 December 2020, which is subject to our independent limited assurance work, set out on 9, 49, 74, 76, 77, 92, 93, 96 and 112 pages of the 2020 Integrated Annual Report and marked with is summarised below:

- Share of sustainability themed loans in loan portfolio as at end of 2020 (%)
- Ratio of women in management (%)
- Ratio of women on the Board of Directors (%)
- Ratio of women among total employees (%)
- Gender pay gap
- Average training hours per employee
- Participation rate in employee satisfaction survey (%)
- Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey (%)
- Average remote working ratio for 2020 (%)
- TSKB Economic Research publications and blog posts (number)
- TSKB's Sustainability Organization
  - Number of meetings took place by Sustainability Committee/Subcommittee
  - Ratio of employees included in Sustainability Subcommittee Working Groups
- Internal environmental impacts of the Bank's activities
  - Electricity consumption in the Headquarters (kwh)
  - Natural gas consumption in the Headquarters (m<sup>3</sup>)
  - Water consumption in the Headquarters (m<sup>3</sup>)
  - Paper consumption in the Headquarters (kg)
  - Electricity density (Consumption in kWh/m<sup>2</sup>)
  - Water density (Consumption in m<sup>3</sup> / employee)
  - Recycled glass plastic and paper waste (kg)
- Number of renewable energy projects financed as at end of 2020
- Total installed capacity of funded renewable energy projects as at end of 2020 (MW)
- TSKB's share in Turkey's renewable energy capacity as at end of 2020 (%)
- Contribution to reduction of CO<sub>2</sub> emissions (tonnes CO<sub>2</sub>/year)
- Loan amount support women's employment and the economy in refugee-impacted areas in 2019 and 2020 (USD)

Our independent limited assurance work was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements, other than Selected Information marked with , included in the 2020 Integrated Annual Report and, therefore, do not express any conclusion thereon.





### **Criteria**

The criteria used by the Bank to prepare the Selected Information is set out in Türkiye Sınai Kalkınma Bankası 2020 Integrated Report - Reporting Guidance' (the 'Reporting Guidance') on page 148-153 of the 2020 Integrated Annual Report.

### **The Bank's Responsibility**

The Bank is responsible for the content of the 2020 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

### **Inherent Limitations**

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



# INDEPENDENT ASSURANCE STATEMENT FOR INTEGRATED ANNUAL REPORT



## Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- making inquiries of the persons responsible and the Bank's management for the Selected Information;
- understanding the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- undertaking analytical procedures over the reported data.



### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Sınai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. as a body and the Türkiye Sınai Kalkınma Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

  
PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Ediz Günsel, SMMM  
Partner  
Istanbul, 2 March 2021




# INDEPENDENT ASSURANCE STATEMENT FOR UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX




## To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.,

We have been engaged by the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the High-level summary of bank's response section of UNEP-FI Reporting and Self Assessment Template which is set out on 533-546 pages of the Bank's 2020 Integrated Annual Report ("the 2020 Integrated Annual Report") and listed below.

## Selected Information in the scope of United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response

The scope of the Selected Information, which is subject to our independent limited assurance work, reported in the UNEP-FI Reporting and Self Assessment Template – High-level summary of bank's response which is set out on 533-546 pages of the 2020 Integrated Annual Report and marked with  is listed below:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking

Our independent limited assurance work was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements, other than Selected Information marked with , therefore, do not express any conclusion thereon.

## Criteria

The criteria used by the Bank to prepare the Selected Information is indicated in the United Nations Principles for Responsible Banking Reporting Template – Preparation Principles which is set out in the Reporting Guidance on 152-153 pages of the 2020 Integrated Annual Report.

## The Bank's Responsibility

The Bank is responsible for the content of the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response section and the preparation of the Selected Information in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

## Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. Our assurance work has not included examination of the derivation of those factors and other third party information.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (“ISAE 3000” Revised), issued by the International Auditing and Assurance Standards Board.


A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Made inquiries with the persons responsible and the Bank’s management for the Selected Information;
- Understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information.
- Evaluated the source data used to prepare the Selected Information and re-performing selected examples of calculation.
- Performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank’s Selected Information which is reported in the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank’s response section  for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Bank’s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. as a body and the Türkiye Sınai Kalkınma Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Yatırım Danışmanlığı ve  
Sermayesi Yönetimi ve Mali Müşavirlik A.Ş.

İdil Gürsoy, EMMA  
Partner

İstanbul, 2 Mart 2021



## REPORTING GUIDANCE

### Türkiye Sınai Kalkınma Bankası 2020 Integrated Annual Report – Reporting Guidance

This reporting guidance provides information on the data preparation and reporting methodologies of indicators within the scope of the independent audit in the 2020 Türkiye Sınai Kalkınma Bankası (“Bank”) Integrated Annual Report. These indicators include the percentage of women employees, gender ratio of management, gender ratio of Board of Directors, pay rate of female and male employees, average hours of training per year per employee, participation rate for employee satisfaction survey, satisfaction rate of measures taken by the bank against COVID-19, average ratio of remote-work, Sustainable loan portfolio ratio (%), TSKB Economic Research Report and Blog posts, Sustainability structure of the Bank (Committee, Sub-Committee, Working Groups), internal environmental impact of the Bank (electricity, natural gas, water and paper consumption, electricity and water intensity, recycled waste amount), total installed capacity funded from renewable energy portfolio, share of this installed capacity in Turkey’s renewable energy capacity and contribution to CO<sub>2</sub> emission reduction, and the amount of funding provided to support women’s employment and the economy in regions affected by refugees.

It is the responsibility of the Bank’s management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance.

The data included in this guideline is for the FY 20 (1 January – 31 December 2020), fiscal year ended December 31, 2020, comprises only the relevant operations that are the responsibility of the Bank and excludes information about group companies.

#### General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

#### Key Definitions

For the purpose of this report, the Bank defines:

Capital	Indicator	Scope
Human	Ratio of women among total employees (%)	This indicator only means the gender distribution of total employees of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Ratio of women in management (%)	This indicator only means the gender distribution of total Management level employees (Chief Executive Officer, Executive Vice President, Department Head, Senior Manager, Junior Manager) of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Ratio of women on the Board of Directors (%)	This indicator only means the gender distribution of Board of Directors of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Gender pay gap (%)	This indicator means the ratio of median values within the scope of the gross wages of its female and male employees during the reporting period.
Human	Average hours of training per year per employee	This indicator only means the total number of training hours provided to its Banking Operations employees (excluding the administrative staff) during the year divided by the average number of employees during the reporting period.
Human	Participation rate for employee satisfaction survey (%)	This indicator only means the ratio of the total number of employees who responded to the survey made by Institute of Behavioral Sciences divided by the total number of employees shared the survey with during the reporting period.



Human	Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey (%)	This indicator only means the ratio of employees reached in the "Process Management in Pandemic Survey" conducted by the Behavioral Sciences Institute during the reporting period. For use in the integrated annual report, satisfaction rate over 5 were turned over 100.
Human	Average remote working ratio for 2020 (%)	It means the rate obtained by subtracting the number of employees who enter the Bank Card Pass System (CPS) between March 2020 and December 2020 by dividing the number of employees first to the working day and then to the number of employees from 1. The number of employees entering the bank, working days and number of employees are calculated on a monthly basis, and employees on leave are not included in this monthly calculation. In cases where multiple entries are made to the Bank with the CPS system during the day, the entries with the same registration number are counted once in order to avoid duplicate data.
Intellectual	TSKB Economic Research publications and Blog posts	It means that TSKB Agenda, TSKB Weekly Agenda, Macro View, Energy Budget, On Climate, Price Fixing Reports on Assessment Reports, TSKB Outlook, New Month Reports are published by TSKB Economic Research Unit on their websites: <a href="https://www.tskb.com.tr/tr/yatirim-bankaciligi/ekonomik-arastirmalar">https://www.tskb.com.tr/tr/yatirim-bankaciligi/ekonomik-arastirmalar</a> & <a href="https://www.tskb.com.tr/blog">https://www.tskb.com.tr/blog</a> prepared as Turkish and English reports during the reporting period.
Natural	Share of sustainability themed loans in loan portfolio (%)	<p>This indicator means the percentage (%) by financial value (in USD) of the Bank's sustainability-themed loans (excluding loans to financial sector) compared to the Bank's total loan portfolio as at the end of 2020. This percentage was obtained by excluding the loans extended to the financial sector while including APEX loans in the Bank's total loan portfolio. Sustainable themed loans are listed under 3 main headings:</p> <p>APEX Loans: The Bank defines APEX loans as the loans provided only to SMEs and exporters through other financial institutions including leasing companies, commercial banks and participation banks</p> <p>Themed loans Titles under sustainable loans are:</p> <ul style="list-style-type: none"> <li>• Energy Generation (excluding thermic power plants)</li> <li>• Energy and Resource Efficiency</li> <li>• Environment</li> <li>• Sustainable Tourism</li> <li>• Electricity and Gas Distribution (not the whole loan but the infrastructure loans within the sub-sector)</li> <li>• Education &amp; Health</li> <li>• Small &amp; Medium Enterprises</li> <li>• Women Employment</li> <li>• Occupational Health and Safety</li> <li>• Export loans</li> <li>• Innovation</li> </ul> <p>Loans provided to Companies Contributing to the Economy through Exports: The Turkish private sector export ratio average was 18,3% in 2020. This means that 18.3% of the goods and services produced in the country are exported. As a development bank, TSKB considers exports as an important indicator for sustainable development of the economy and considers loans provided to companies with export ratios than 20% (calculated as ratio of foreign sales to total net sales) amongst sustainable-themed loans.</p>



## REPORTING GUIDANCE

	Internal Impacts (excluding affiliates)	This indicator only means the environmental impacts of the Bank's activities from its head-office buildings during the reporting period.
	Electricity consumption (kWh)	This indicator means the total electricity consumption includes electricity used for heating and other business operations that require electricity during the reporting period.
	Natural gas consumption (m3)	This indicator means the total natural gas (NG) consumption includes NG used for heating, cooking and other business operations that require natural gas during the reporting period.
Natural	Water consumption (m3)	This indicator means the total municipal water consumption during the reporting period.
	Paper consumption (kg)	This indicator means the total paper and cardboard consumption during the reporting period.
	Electricity density (Consumption in kWh/m2)	This indicator means the total electricity usage (in kWh) divided by the floor area (in m2) occupied by the Bank during the reporting period
	Water density (Consumption in m3 / employee)	This indicator means the total water consumption (in m3) divided by the average number of Bank employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
	Recycled glass plastic and paper waste (kg)	This indicator means the weight of recycled waste of glass, plastic and paper during the reporting period.
Natural	Number of renewable energy projects financed	This indicator means the total number of renewable energy projects partially or totally financed by the Bank according to the types as at the reporting period end.
Natural	Total installed capacity of funded renewable energy projects (MW)	This indicator means the total installed renewable energy capacity, in MW, partially or totally financed by the Bank as at the reporting period end.
Natural	TSKB's share in Turkey's renewable energy capacity (%)	This indicator means the total renewable energy capacity, in MW, financed by the Bank compared against Turkey's total installed renewable energy capacity as at the reporting period end.
Natural	Contribution to reduction of CO2 emissions (tonnes CO2/year)	This indicator means the estimated total CO <sub>2</sub> emissions reduction from the renewable energy projects financed by the Bank as at the reporting period end.
Natural	TSKB's Sustainability Organization (Committee, Sub-Committee, Working Groups)	It means the number of meetings of the Sustainability Committee / Subcommittee held and the ratio of employees in the Sustainability Working Groups during the reporting period. (Sustainability working groups employee rate in the Sustainability Subcommittee means the ratio of Employees in Sustainability Working Groups to the total employee rate.)
Social	Loan amount support women's employment and the economy in refugee-impacted areas	It means the financial value of the loans in US Dollars that the Bank provides directly or through APEX Banking between January 1, 2019 - December 31, 2020, in order to support women's employment and the economy in the regions affected by refugees. The sources of the loans provided in this context are the credit agreements made by the French Development Bank (Afd), the World Bank and the EBRD.





## 4. Data Preparation

### Electricity, Natural Gas and Water Consumption

Within the scope of the calculations, only the Bank's own buildings are included, and consumption related to subsidiaries or group companies are not included. While calculating these values, to decontaminate the calculation, the average number of employees, based on the number of employees at the end of June and December, and the average m2 information are used.

Natural gas and water consumption data are obtained from supplier meters, service provider invoices and daily measurement counters of the Bank. Since these consumptions are reported on the type of supply unit, no conversion factor is used.

Electricity and water intensity data are obtained from the ratio of annual consumption to the number of employees obtained by averaging the Bank's employee figures at the end of June and December.

### Total number of renewable energy projects

While calculating this indicator, the renewable energy portfolio from which the Bank provided loans was used. In this context, the financing provided for the Hydroelectric Power Plant (HPP), Wind Power Plant (WPP), Biomass Power Plant (BPP), Waste Power Plant and Solar Energy Plant (WPP - SEP Hybrid) projects included in the scope of renewable energy and the number of power plants established on the basis of these projects.

### Total installed capacity funded from renewable energy portfolio

This indicator is calculated by assessing the renewable energy portfolio of the Bank. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

### Share of TSKB's installed capacity in Turkey's renewable energy capacity

This indicator is calculated by assessing the renewable energy portfolio of the Bank and the total capacity of renewable energy projects in Turkey. The related information on Turkey was achieved through the year end (December 2020) installed capacity report of Turkish Electricity Transmission corporation (TEİAŞ) on this website <https://www.teias.gov.tr/tr-TR/kurulu-guc-raporlari>. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

### Contribution of renewable energy portfolio to CO<sub>2</sub> emission reduction

CO<sub>2</sub> emission reduction is calculating by using the emission coefficient calculated by the Bank's own methodology. Banka'nın kendi metodolojisi ile hesaplanan emisyon katsayısı yardımıyla hesaplamaktadır. The assumptions for calculating the reduction for each renewable energy efficiency ratio were based on using the Turkey sector average of the last three years of the different renewable energy sources. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.



# REPORTING GUIDANCE

## 5.UNEP-FI Principles for Responsible Banking Reporting Template – Preparation Principles

### Reporting and Self-Assessment Requirements

#### 2.1 Impact Analysis:

Show that the Bank has identified the areas in which it has its most significant positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The Bank's core business areas, products/services across the main geographies that the Bank operates in have been considered in the scope of the analysis as described under 1.1.
- b) Scale of Exposure: In identifying its areas of most significant impact, the Bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies
- c) Context and Relevance: The Bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the Bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the Bank's activities and provision of products and services. (The Bank should have engaged with relevant stakeholders to help inform the analysis under elements c) and d))

Show that building on this analysis, the Bank has:

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

### Preparation Principles

As part of the operational impacts, the Bank takes into account the relevant environmental impacts arising from the Bank's operations in the Head Office building. In this context, 12-month electricity, natural gas and water consumption data are calculated from the daily meters of the Bank and invoices of the service providers.

For its impact analysis, the Bank used the Portfolio Impact Analysis Tool (Impact Analysis Tool) developed jointly by the Positive Impact Initiative, signatories of the Principles for Responsible Banking, and the United Nations Environment Programme Finance Initiative (UNEP FI). Only the loans portfolio (corporate & project finance loans) as of December 31, 2020 under Corporate Banking activities in Turkey were included in the Impact Analysis Tool evaluation. Although the Bank has investment banking and consultancy services, it is not included in the Impact Analysis Tool.

Within the scope of the Impact Analysis Tool evaluation, the Bank cartography related to **Corporate Banking** activities was created through sectoral breakdown of loan volumes. These loan volumes have been determined within the framework of the Bank's loan portfolio as of December 31, 2020, according to cash loans and related risks. The bank labels loans on a sector basis in its own accounting system. To detail this sectoral breakdown within the scope of the Impact Analysis Tool evaluation, studies have been conducted according to the sector classification lists, respectively, the NACE ("Nomenclature des Activités Économiques dans la Communauté Européenne) codes, which means the Statistical classification of economic activities in the European Union, and the UN International Standard Industrial Classification of All Economic Activities (ISIC).

In this context, fifteen sectors (Hydroelectric power generation and distribution, solar (on-shore) energy generation and distribution, wind power generation and distribution, geothermal and energy production and distribution, biomass and energy production and distribution, electricity generation and distribution, finance, tourism, food, textile, non-residential real estate, health and education, metal production, logistics, wholesale and retail trade) representing 83% of the Bank's total corporate loan portfolio are included in the analysis within the framework of Corporate Banking.

The Impact Analysis Tool incorporates the "Country Need Scores" released by UNEP-FI. Through these scores, UNEP FI has measured Turkey's need in specific impact areas in environmental, social and economic terms (Accessibility and quality of Water, Food, Housing, Health and Sanitation, Education, Employment, Energy, Mobility, Communication (&Information), Culture and Heritage, Integrity & Security of Person, Justice, Strong Institutions, Peace and Stability; quality (physical and chemical properties) and efficient use of Water, Air, Soil, Biodiversity and Ecosystems, Resources Efficiency/ Security, Climate, Waste; economic value creation for the society through Inclusive and Healthy Economy and Economic Convergence). The Bank has directly used this analysis when taking into account sustainable development needs of Turkey.

In the Impact Analysis Tool, there are priority rankings from 1 to determined by the UNEP-FI secretariat. While ranking the country needs and the Bank's positive or negative impact areas, 1 stands for low level of need / impact, 2 means medium need / impact, 3 means high need / impact and lastly 4 means very high need / impact.

In line with the data entered in the Impact Analysis Tool within the scope of Corporate Banking, 13 potential domains of the Bank were defined. 3 positive and 1 negative, 4 domains in total were selected by the Bank



## 2.2. Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Based on the results of the Impact Analysis Tool, the Bank announced targets on 3 domains, 2 positive and 1 negative. All of the targets announced within the scope of UNEP FI Responsible Banking (except for 5 and other targets and commitments specified in the 2020 Integrated Annual Report for capital items for the upcoming period) have certain time intervals.

Other objectives and commitments declared within the scope of UNEP FI Responsible Banking and included in the 2020 Integrated Annual Report (determined by TSKB for capital items for the upcoming period, are approved by the Bank Executive Committee.

## 2.3. Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

### 5.3 Governance Structure for Implementation of the Principles

Show that the Bank has a governance structure in place for the implementation of the PRB, including:

- a) Target-setting and actions to achieve targets set
- b) Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected

### 6.1 Progress on Implementing the Principles for Responsible Banking

Show that the Bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that the Bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that the Bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

With the decision of the Executive Committee dated March 31, 2020, the "Relations with International Initiatives on Sustainability" Working Group has been established and the task definition of the working group includes creating and following the commitments and targets required within the scope of the international initiatives that the Bank is a signatory / member of.

With the decision of the Executive Committee dated March 31, 2020, The Working Group on "Relations with International Initiatives on Sustainability" has been established. The task definition of the working group includes the purpose of determining the resource needs for the studies to be carried out with international and supranational financial institutions and international initiatives (IDFC, UNEP FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI vb.) which the Bank cooperates within the scope of sustainability and to organize the studies and to carry out their activities.

The Bank's activities in relation to national and international initiatives and good practices associated with sustainability are as follows:

- The sustainability reports published by the Bank since 2009 and Integrated Activity Reports since 2018 are available on the website <https://www.tskb.com.tr/tr/surdurulebilir-bankacilik/tskb-de-surdurulebilirlik/surdurulebilirlik-raporlari>
- The Carbon Disclosure Project (CDP) reports prepared by the Bank since 2013 can be accessed on <https://www.cdp.net/en/scores> by entering the name T.SINAI KALKINMA BANKASI A.Ş.

## 6. Restatements

The measuring and reporting of sustainability-related data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.



# ISO 14001 CERTIFICATE







# 5

## FINANCIAL STATEMENTS AND NOTES

- 158** Independent Auditor's Audit Report, Unconsolidated Statements and Notes
- 336** Independent Auditor's Audit Report, Consolidated Statements and Notes



## Finish Water Index

Finish Water Index (FSE), is a value that considers agriculture, household and industry water consumption with renewable assets in Turkey under certain assumptions. This index weekly digitizes the water risk of Turkey. FSE values below 100 indicate the presence of "Water Stress". The further the index falls below the 100 level, the higher the level of water stress. If the index reaches the level of 70, it is interpreted as "Severe Water Stress". If the index exceeds 100, it means that there is no "Water Stress". The FSE average for the January - December 2020 is 84.07.

For more details:

<https://www.yarininsuyu.com/finish-su-endeksi/>

## **INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)



## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

### Audit of Unconsolidated Financial Statements

#### Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2020 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 2020 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 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2020 is understated by TL 220.000 thousand.

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.

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="108 321 921 378"><b>Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9</b></p> <p data-bbox="108 402 956 483">As presented in Section 3 disclosure VIII the Bank calculates expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the TFRS 9 impairment of financial assets as a key audit matter since:</p> <ul data-bbox="108 500 968 1044" style="list-style-type: none"> <li>- Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Bank determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Bank management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul>	<p data-bbox="997 402 1541 427">Our audit procedures included among others include:</p> <ul data-bbox="997 440 1855 1334" style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, Covid-19 impacts, 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**

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.

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 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.

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.

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.

It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits.

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.

## INDEPENDENT AUDITOR'S REPORT

<b>Derivative Financial Instruments</b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

### Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT

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 2020 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



1 February 2021  
İstanbul, Türkiye

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

### THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2020

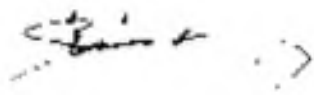
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E-mail : [ir@tskb.com.tr](mailto:ir@tskb.com.tr)

The unconsolidated financial report for the year includes the following sections in accordance with “Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced” as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared **in thousands of Turkish Lira (“TL”)**, in accordance with the Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks’ records, and have been independently audited and presented as attached.

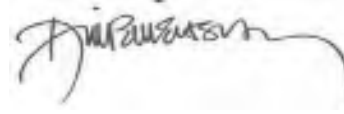
1 February 2021



H. Ersin ÖZİNCE  
Chairman of Board of Directors



Ece BÖRÜ  
Member of Board of Directors and  
General Manager



Aziz Ferit ERASLAN  
Executive Vice President in Charge of  
Financial Reporting



Tolga SERT  
Head of  
Financial Control Department



Mahmut MAGEMİZOĞLU  
Head of Audit Committee



Gamze YALÇIN  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

Name-Surname/Title: Ayşe Nazlıca/Head of Financial Corporation and Investor Relations  
Telephone Number: (212) 334 51 94

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## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE

#### GENERAL INFORMATION

##### I. The Bank's incorporation date, beginning status, changes in the existing status

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Bank is "Development and Investment Bank". The Bank does not have the license of "Accepting Deposit". Since the establishment date of the Bank, there is no change in its "Development and Investment Bank" status.

##### II. Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Bank are as follows:

<b>Current Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.781	50,92	1.425.781	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.649	40,70	1.139.649	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>
<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,92% of the shares belongs to İş Bank Group and 38,88% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

### III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank

#### The Chairman and The Members of Board of Directors:

Name Surname	Title <sup>(1)</sup>
H. Ersin Özince	Chairman of the Board of Directors
Mahmut Magemizoğlu <sup>(3)</sup>	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
Ece Börü <sup>(2)</sup>	Member of the Board of Directors and General Manager
Yavuz Canevi	Member of the Board of Directors
Bahattin Öztürk <sup>(4)</sup>	Member of the Board of Directors
Mithat Rende	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ozan Uyar <sup>(3)</sup>	Member of the Board of Directors
Abdi Serdar Üstünsalih	Member of the Board of Directors
Gamze Yalçın	Member of the Board of Directors and Member of Audit Committee
Hüseyin Yalçın	Member of the Board of Directors

#### General Manager and Vice Presidents <sup>(5)</sup>

Name Surname	Title/Area of Responsibility <sup>(4)</sup>
Ece Börü	General Manager
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring, Engineering and Technical Consultancy
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations, Corporate Communication
Hasan Hepkaya	Executive Vice President - Consultancy Services and Marketing, Corporate Banking Selling, Project Finance, Economic Research, Financial Consultancy
Hakan Aygen	Executive Vice President - Corporate Finance, Loan Analysis, Loan Allocation, Specialized Loans
H. Yetkin Kesler	Executive Vice President - Pension and Assistance Funds, Human Resources, Enterprise Architecture and Process Management
B. Gökhan Çanakpınar	Executive Vice President - Support Services, System & Network Support, Application Development
A.Ferit Eraslan	Executive Vice President - Financial Control, Budget Planning, Corporate Compliance

<sup>(1)</sup> The shares of above directors in the Bank are symbolic.

<sup>(2)</sup> The Member of the Board of Directors and General Manager of the Bank Mr. Suat İnce resigned from his duty as a member of the Board of Directors and General Manager position due to retirement as of 3 April 2020. As of 12 August 2020 and with the Board of Directors Decision No. 2449; Ms. Ece Börü has been appointed as the General Manager and started her duty as of 25 August 2020.

<sup>(3)</sup> The Member of the Board of Directors Mr. Mehmet Şencan and Mr.Can Yücel resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 5 May 2020, it is decided that Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(4)</sup> The Member of the Board of Directors Mr. Ahmet Ünal resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 August 2020, it is decided that Mr. Bahattin Özarslantürk was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(5)</sup> It shows the duties and responsibilities after the organizational changes carried out in the Bank based on the Bank's Board of Directors Decision No. 2452 dated 27 August 2020.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2020 in the General Assembly Meeting held on 26 March 2020.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION ONE (Continued)**

#### **GENERAL INFORMATION (Continued)**

#### **IV. Information about the persons and institutions that have qualified shares in the Bank**

Explanation about the people and institutions that have qualified shares control the Bank's capital directly or indirectly are described in General Information Section II.

#### **V. Summary on the Bank's functions and areas of activity**

The Bank is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Bank also continues to offer solutions with respect to the newest needs and client demands.

#### **VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş., Terme Metal Sanayi ve Ticaret A.Ş. and Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. are not consolidated since they are not in scope of financial institutions according to related Communiqué.

The Bank and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. and Yatırım Varlık Kiralama A.Ş. which founded on 20 September 2019 as a subsidiary of Yatırım Finansman Menkul Değerler A.Ş. are included in the accompanying consolidated financial statements line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

#### **Yatırım Finansman Menkul Değerler A.Ş. :**

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION ONE (Continued)**

#### **GENERAL INFORMATION (Continued)**

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods (continued)**

#### **TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 89,13%. The company's headquarters is located at Istanbul/Turkey.

#### **İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The company's headquarters is located at Istanbul/Turkey.

#### **İş Faktoring A.Ş. :**

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

#### **İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The company's headquarters is located at Istanbul/Turkey.

### **VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

### **Written policies of the Bank related to compliance to publicly disclosed obligations of the Bank and assessment of accuracy, frequency and compliance of mentioned disclosures**

The Bank's Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the Bank's corporate website.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ASSETS	Section 5 Note I	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019 <sup>(1)</sup>		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>3.999.712</b>	<b>4.873.494</b>	<b>8.873.206</b>	<b>3.366.651</b>	<b>3.430.212</b>	<b>6.796.863</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1.480.897</b>	<b>1.190.161</b>	<b>2.671.058</b>	<b>526.395</b>	<b>880.910</b>	<b>1.407.305</b>
1.1.1 Cash and Balances with Central Bank	(1)	2.244	1.021.382	1.023.626	509	803.528	804.037
1.1.2 Banks	(3)	55.795	169.352	225.147	288	77.844	78.132
1.1.3 Money Market Placements		1.422.996	-	1.422.996	525.628	-	525.628
1.1.4 Expected Credit Losses (-)		138	573	711	30	462	492
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>-</b>	<b>263.097</b>	<b>263.097</b>	<b>-</b>	<b>263.097</b>	<b>263.097</b>
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	263.097	263.097	-	263.097	263.097
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(4)</b>	<b>1.906.122</b>	<b>2.696.730</b>	<b>4.602.852</b>	<b>2.187.024</b>	<b>1.977.139</b>	<b>4.164.163</b>
1.3.1 Government Debt Securities		1.695.394	2.619.578	4.314.972	2.001.291	1.922.143	3.923.434
1.3.2 Equity Instruments		62.062	77.152	139.214	40.653	53.806	94.459
1.3.3 Other Financial Assets		148.666	-	148.666	145.080	1.190	146.270
<b>1.4 Derivative Financial Assets</b>	<b>(2)</b>	<b>612.693</b>	<b>723.506</b>	<b>1.336.199</b>	<b>653.232</b>	<b>309.066</b>	<b>962.298</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		612.693	723.506	1.336.199	653.232	309.066	962.298
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>7.705.331</b>	<b>32.745.881</b>	<b>40.451.212</b>	<b>6.542.075</b>	<b>26.586.973</b>	<b>33.129.048</b>
<b>2.1 Loans</b>	<b>(5)</b>	<b>5.514.640</b>	<b>33.400.020</b>	<b>38.914.660</b>	<b>4.529.117</b>	<b>26.766.177</b>	<b>31.295.294</b>
<b>2.2 Lease Receivables</b>	<b>(10)</b>	<b>-</b>	<b>205.726</b>	<b>205.726</b>	<b>-</b>	<b>128.874</b>	<b>128.874</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(6)</b>	<b>2.719.902</b>	<b>363.157</b>	<b>3.083.059</b>	<b>2.285.894</b>	<b>299.266</b>	<b>2.585.160</b>
2.4.1 Government Debt Securities		2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>529.211</b>	<b>1.223.022</b>	<b>1.752.233</b>	<b>272.936</b>	<b>607.344</b>	<b>880.280</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(16)</b>	<b>64.403</b>	<b>-</b>	<b>64.403</b>	<b>64.403</b>	<b>-</b>	<b>64.403</b>
3.1 Held for Sale Purpose		64.403	-	64.403	64.403	-	64.403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>1.232.821</b>	<b>-</b>	<b>1.232.821</b>	<b>866.767</b>	<b>-</b>	<b>866.767</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(7)</b>	<b>625.893</b>	<b>-</b>	<b>625.893</b>	<b>466.895</b>	<b>-</b>	<b>466.895</b>
4.1.1 Accounted Under Equity Method		625.893	-	625.893	466.895	-	466.895
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>	<b>(8)</b>	<b>606.928</b>	<b>-</b>	<b>606.928</b>	<b>399.872</b>	<b>-</b>	<b>399.872</b>
4.2.1 Unconsolidated Financial Subsidiaries		581.897	-	581.897	378.504	-	378.504
4.2.2 Unconsolidated Non-Financial Subsidiaries		25.031	-	25.031	21.368	-	21.368
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>89.720</b>	<b>-</b>	<b>89.720</b>	<b>91.224</b>	<b>-</b>	<b>91.224</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>3.304</b>	<b>-</b>	<b>3.304</b>	<b>3.029</b>	<b>-</b>	<b>3.029</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		3.304	-	3.304	3.029	-	3.029
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(15)</b>	<b>175.421</b>	<b>-</b>	<b>175.421</b>	<b>38.528</b>	<b>-</b>	<b>38.528</b>
<b>X. OTHER ASSETS (Net)</b>	<b>(17)</b>	<b>117.404</b>	<b>458.868</b>	<b>576.272</b>	<b>110.332</b>	<b>400.151</b>	<b>510.483</b>
<b>TOTAL ASSETS</b>		<b>13.388.116</b>	<b>38.078.243</b>	<b>51.466.359</b>	<b>11.083.009</b>	<b>30.417.336</b>	<b>41.500.345</b>

<sup>(1)</sup> The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019 <sup>(1)</sup>		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	(3)	119.985	32.176.978	32.296.963	615.530	25.731.401	26.346.931
<b>III. MONEY MARKET BALANCES</b>		721.536	323.705	1.045.241	369.384	662.172	1.031.556
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(3)	-	8.021.275	8.021.275	-	6.023.450	6.023.450
4.1 Bills		-	-	-	-	-	-
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	8.021.275	8.021.275	-	6.023.450	6.023.450
<b>V. BORROWER FUNDS</b>		6.275	115.830	122.105	2.494	56.456	58.950
5.1 Borrower Funds		6.275	115.830	122.105	2.494	56.456	58.950
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	326.364	548.616	874.980	276.933	207.410	484.343
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		326.364	548.616	874.980	276.933	207.410	484.343
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(5)	26.425	-	26.425	34.278	-	34.278
<b>X. PROVISIONS</b>	(7)	240.684	29.593	270.277	237.349	22.070	259.419
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		17.096	-	17.096	14.724	-	14.724
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		223.588	29.593	253.181	222.625	22.070	244.695
<b>XI. CURRENT TAX LIABILITY</b>	(8)	147.991	-	147.991	77.425	-	77.425
<b>XII. DEFERRED TAX LIABILITY</b>	(8)	-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	-	2.299.503	2.299.503	-	1.830.045	1.830.045
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	2.299.503	2.299.503	-	1.830.045	1.830.045
<b>XV. OTHER LIABILITIES</b>		141.233	115.810	257.043	127.560	59.245	186.805
<b>XVI. SHAREHOLDERS' EQUITY</b>		5.981.463	123.093	6.104.556	5.170.500	(3.357)	5.167.143
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2 Capital Reserves		374	-	374	374	-	374
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		374	-	374	374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(11)	124.204	(765)	123.439	74.300	(147)	74.153
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		101.816	123.858	225.674	75.400	(3.210)	72.190
16.5 Profit Reserves		2.222.240	-	2.222.240	1.444.342	-	1.444.342
16.5.1 Legal Reserves	(11)	338.153	-	338.153	303.070	-	303.070
16.5.2 Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3 Extraordinary Reserves	(11)	1.805.526	-	1.805.526	1.062.711	-	1.062.711
16.5.4 Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6 Profit Or Loss		732.829	-	732.829	776.084	-	776.084
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		732.829	-	732.829	776.084	-	776.084
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7.711.956</b>	<b>43.754.403</b>	<b>51.466.359</b>	<b>6.911.453</b>	<b>34.588.892</b>	<b>41.500.345</b>

<sup>(1)</sup> The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

OFF BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>6.358.023</b>	<b>60.441.052</b>	<b>66.799.075</b>	<b>7.646.516</b>	<b>56.481.115</b>	<b>64.127.631</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>356.059</b>	<b>4.582.781</b>	<b>4.938.840</b>	<b>450.736</b>	<b>4.096.982</b>	<b>4.547.718</b>
1.1 Letters of Guarantee		356.059	1.730.105	2.086.164	450.736	1.368.294	1.819.030
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		356.059	1.730.105	2.086.164	450.736	1.368.294	1.819.030
1.2 Bank Acceptances		-	170.915	170.915	-	190.447	190.447
1.2.1 Import Letter of Acceptance		-	170.915	170.915	-	190.447	190.447
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.1 Documantary Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
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 Guarantess		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>674.463</b>	<b>5.268.401</b>	<b>5.942.864</b>	<b>450.117</b>	<b>3.181.266</b>	<b>3.631.383</b>
2.1 Irrevocable Commitments		124.557	553.859	678.416	104.408	336.269	440.677
2.1.1 Forward Asset Purchase and Sale Commitments		9.512	90.579	100.091	4.506	16.898	21.404
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	127.172	127.172	-	96.782	96.782
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		115.045	336.108	451.153	99.902	222.589	322.491
2.2 Revocable Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.1 Revocable Loan Granting Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>5.327.501</b>	<b>50.589.870</b>	<b>55.917.371</b>	<b>6.745.663</b>	<b>49.202.867</b>	<b>55.948.530</b>
3.1 Derivative Financial Instruments for Hedging Purposes		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.1 Fair Value Hedge		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		5.327.501	30.749.104	36.076.605	6.745.663	32.682.437	39.428.100

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

OFF BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
3.2.1 Forward Foreign Currency Buy/Sell Transactions		551.948	799.850	1.351.798	2.715.295	2.672.415	5.387.710
3.2.1.1 Forward Foreign Currency Transactions-Buy		283.382	393.739	677.121	1.359.615	1.335.965	2.695.580
3.2.1.2 Forward Foreign Currency Transactions-Sell		268.566	406.111	674.677	1.355.680	1.336.450	2.692.130
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		4.632.583	29.814.290	34.446.873	3.142.346	29.122.244	32.264.590
3.2.2.1 Foreign Currency Swap-Buy		264.164	6.861.632	7.125.796	523.843	6.474.510	6.998.353
3.2.2.2 Foreign Currency Swap-Sell		4.368.419	2.503.402	6.871.821	2.618.503	3.950.480	6.568.983
3.2.2.3 Interest Rate Swap-Buy		-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.2.4 Interest Rate Swap-Sell		-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.3 Foreign Currency, Interest Rate, and Securities Options		142.970	134.964	277.934	888.022	887.778	1.775.800
3.2.3.1 Foreign Currency Options-Buy		71.485	67.482	138.967	444.061	443.889	887.950
3.2.3.2 Foreign Currency Options-Sell		71.485	67.482	138.967	443.961	443.889	887.850
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>66.624.295</b>	<b>416.277.357</b>	<b>482.901.652</b>	<b>73.293.060</b>	<b>466.201.948</b>	<b>539.495.008</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>821.679</b>	<b>143.519</b>	<b>965.198</b>	<b>649.217</b>	<b>632.325</b>	<b>1.281.542</b>
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		24.389	143.519	167.908	55.046	632.325	687.371
4.3 Checks Received for Collection		248	-	248	248	-	248
4.4 Commercial Notes Received for Collection		-	-	-	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		797.042	-	797.042	593.923	-	593.923
<b>V. PLEDGES ITEMS</b>		<b>59.072.459</b>	<b>327.909.328</b>	<b>386.981.787</b>	<b>52.954.751</b>	<b>254.620.387</b>	<b>307.575.138</b>
5.1 Marketable Securities		456.248	-	456.248	471.248	13.784.545	14.255.793
5.2 Guarantee Notes		80.240	1.616.133	1.696.373	95.146	3.691.401	3.786.547
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		8.235.107	89.251.431	97.486.538	3.805.563	63.849.083	67.654.646
5.6 Other Pledged Items		50.300.864	237.041.764	287.342.628	48.582.794	173.295.358	221.878.152
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>6.730.157</b>	<b>88.224.510</b>	<b>94.954.667</b>	<b>19.689.092</b>	<b>210.949.236</b>	<b>230.638.328</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>72.982.318</b>	<b>476.718.409</b>	<b>549.700.727</b>	<b>80.939.576</b>	<b>522.683.063</b>	<b>603.622.639</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Section 5 Note IV	Audited Current Period 1 January 2020 - 31 December 2020	Audited Prior Period 1 January 2019 - 31 December 2019 <sup>(*)</sup>
<b>STATEMENT OF PROFIT OR LOSS</b>			
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>3.266.501</b>	<b>3.254.968</b>
1.1 Interest on Loans		2.368.072	2.212.758
1.2 Interest Received from Reserve Deposits		72	7.101
1.3 Interest Received from Banks		21.910	54.384
1.4 Interest Received from Money Market Placements		90.430	290.421
1.5 Interest Received from Marketable Securities Portfolio		772.828	669.120
1.5.1 Fair Value through Profit or Loss		5	3
1.5.2 Fair Value through other Comprehensive Income		408.341	442.319
1.5.3 Measured at Amortized Cost		364.482	226.798
1.6 Finance Lease Interest Income		8.460	6.406
1.7 Other Interest Income		4.729	14.778
<b>II. INTEREST EXPENSES (-)</b>	<b>(2)</b>	<b>1.267.018</b>	<b>1.323.131</b>
2.1 Interest on Deposits		-	-
2.2 Interest on Funds Borrowed		585.670	638.406
2.3 Interest on Money Market Borrowings		28.347	111.504
2.4 Interest on Securities Issued		643.826	556.212
2.5 Leasing Interest Expense		7.808	9.402
2.6 Other Interest Expense		1.367	7.607
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1.999.483</b>	<b>1.931.837</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>50.145</b>	<b>29.758</b>
4.1 Fees and Commissions Received		57.605	36.241
4.1.1 Non-cash Loans		35.171	25.157
4.1.2 Other		22.434	11.084
4.2 Fees and Commissions Paid (-)		7.460	6.483
4.2.1 Non-cash Loans		1.067	968
4.2.2 Other		6.393	5.515
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>4.392</b>	<b>3.082</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>40.168</b>	<b>(445.660)</b>
6.1 Securities Trading Gains/(Losses)		7.122	1.320
6.2 Derivative Financial Instruments Gains/Losses		(105.898)	(553.297)
6.3 Foreign Exchange Gains/Losses (Net)		138.944	106.317
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>5.889</b>	<b>31.612</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2.100.077</b>	<b>1.550.629</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1.008.512</b>	<b>458.882</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>143.205</b>	<b>126.726</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>78.696</b>	<b>74.835</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>869.664</b>	<b>890.186</b>
<b>XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>77.684</b>	<b>78.480</b>
<b>XVI. GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>947.348</b>	<b>968.666</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>214.519</b>	<b>192.582</b>
18.1 Provision for Current Income Taxes		363.282	280.993
18.2 Deferred Tax Income Effect (+)		499.919	193.387
18.3 Deferred Tax Expense Effect (-)		648.682	281.798
<b>XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>(9)</b>	<b>732.829</b>	<b>776.084</b>
<b>XX. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
20.1 Income on Assets Held for Sale		-	-
20.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3 Income on Other Discontinued Operations		-	-
<b>XXI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1 Loss from Assets Held for Sale		-	-
21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3 Loss from Other Discontinued Operations		-	-
<b>XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
23.1 Provision for Current Income Taxes		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(10)</b>	<b>732.829</b>	<b>776.084</b>
Earning/(loss) per share		0,262	0,277

(\*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	<b>Reviewed Current Period 1 January 2020 - 31 December 2020</b>	<b>Reviewed Prior Period 1 January 2019 - 31 December 2019 <sup>(*)</sup></b>
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>732.829</b>	<b>776.084</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>202.770</b>	<b>221.612</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>49.286</b>	<b>9.857</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	10.481	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	3.469	(940)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	36.639	10.590
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.303)	207
<b>2.2 Reclassified Through Profit or Loss</b>	<b>153.484</b>	<b>211.755</b>
2.2.1 Foreign Currency Translation Differences	19.138	5.010
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	57.487	243.693
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	87.426	16.677
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(10.567)	(53.625)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>935.599</b>	<b>997.696</b>

<sup>(\*)</sup> The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
<b>Restated (*)</b>																	
<b>Prior Period - 31 December 2019</b>																	
<b>I. Prior Period End Balance</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>809.151</b>	<b>15.704</b>	<b>(162.060)</b>	-	<b>518.691</b>	<b>696.585</b>	-	<b>4.719.004</b>	-	<b>4.719.004</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	<b>(785.414)</b>	-	-	<b>6.791</b>	<b>178.103</b>	<b>50.963</b>	-	<b>(549.557)</b>	-	<b>(549.557)</b>	
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	<b>(785.414)</b>	-	-	<b>6.791</b>	<b>178.103</b>	<b>50.963</b>	-	<b>(549.557)</b>	-	<b>(549.557)</b>	
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>23.737</b>	<b>15.704</b>	<b>(162.060)</b>	<b>6.791</b>	<b>696.794</b>	<b>747.548</b>	-	<b>4.169.447</b>	-	<b>4.169.447</b>
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	<b>(733)</b>	<b>10.590</b>	<b>5.010</b>	<b>190.068</b>	<b>16.677</b>	<b>50.963</b>	<b>(50.963)</b>	<b>776.084</b>	<b>997.696</b>	-	<b>997.696</b>
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>696.585</b>	<b>(696.585)</b>	-	-	-	-
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	<b>696.585</b>	<b>(696.585)</b>	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(1.082)</b>	<b>34.327</b>	<b>20.714</b>	<b>28.008</b>	<b>23.468</b>	<b>1.444.342</b>	-	<b>776.084</b>	<b>5.167.143</b>	-	<b>5.167.143</b>

(\*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Translation Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

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

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
<b>Current Period - 31 December 2020</b>																	
<b>I. Prior Period End Balance</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(1.082)</b>	<b>34.327</b>	<b>20.714</b>	<b>28.008</b>	<b>23.468</b>	<b>1.444.342</b>	<b>776.084</b>	-	<b>5.167.143</b>	-	<b>5.167.143</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>40.908</b>	<b>(1.082)</b>	<b>34.327</b>	<b>20.714</b>	<b>28.008</b>	<b>23.468</b>	<b>1.444.342</b>	<b>776.084</b>	-	<b>5.167.143</b>	-	<b>5.167.143</b>
<b>IV. Total Comprehensive Income</b>		-	-	-	-	<b>9.901</b>	<b>2.746</b>	<b>36.639</b>	<b>19.138</b>	<b>46.920</b>	<b>87.426</b>	-	-	<b>732.829</b>	<b>935.599</b>	-	<b>935.599</b>
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	<b>76.253</b>	<b>(74.439)</b>	-	<b>1.814</b>	-	<b>1.814</b>
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	<b>701.645</b>	<b>(701.645)</b>	-	-	-	-
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	<b>701.645</b>	<b>(701.645)</b>	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	-	-	<b>374</b>	<b>50.809</b>	<b>1.664</b>	<b>70.966</b>	<b>39.852</b>	<b>74.928</b>	<b>110.894</b>	<b>2.222.240</b>	-	<b>732.829</b>	<b>6.104.556</b>	-	<b>6.104.556</b>

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Translition Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>1.852.903</b>	<b>1.120.354</b>
1.1.1 Interest Received		2.919.380	2.912.455
1.1.2 Interest Paid		(1.172.640)	(1.161.310)
1.1.3 Dividends Received		7.433	7.123
1.1.4 Fees and Commissions Received		57.605	36.241
1.1.5 Other Income		10.620	4.708
1.1.6 Collections from Previously Written off Loans		33.003	84.517
1.1.7 Payments to Personnel and Service Suppliers		(140.855)	(124.566)
1.1.8 Taxes Paid		(295.515)	(294.562)
1.1.9 Others		433.872	(344.252)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(551.990)</b>	<b>810.466</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		568.701	398.939
1.2.4 Net (Increase) (Decrease) in Other Assets		(275.434)	138.668
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		(1.367.338)	(358.481)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		522.081	631.340
<b>I. Net Cash Provided by/(used in) Banking Operations</b>		<b>1.300.913</b>	<b>1.930.820</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided by/(used in) Investing Activities</b>		<b>(189.774)</b>	<b>(516.643)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		(185.542)	(400)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(1.532)	(6.366)
2.4 Disposals of Property and Equipment		108	3.277
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(1.013.123)	(1.048.151)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		1.160.742	775.098
2.7 Purchase of Financial Assets Measured at Amortized Cost		(149.670)	(433.812)
2.8 Sale of Financial Assets Measured at Amortized Cost		1.577	195.251
2.9 Others		(2.334)	(1.540)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided by/(used in) Financing Activities</b>		<b>(93.027)</b>	<b>(2.019.964)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2.345.479	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.420.808)	(2.004.016)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Leases		(17.698)	(15.948)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>23.688</b>	<b>3.262</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1.041.800</b>	<b>(602.525)</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>599.585</b>	<b>1.202.110</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>1.641.385</b>	<b>599.585</b>

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

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2020 <sup>(1)</sup>	Audited Prior Period 31 December 2019 <sup>(4)</sup>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	947.348	894.227
1.2 TAXES AND DUTIES PAYABLE	214.519	192.582
1.2.1 Corporate Tax (Income tax)	363.282	280.993
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties <sup>(3)</sup>	(148.763)	(88.411)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>732.829</b>	<b>701.645</b>
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	35.083
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>732.829</b>	<b>666.562</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 STATUTORY RESERVES (-)	-	-
1.11 GENERAL RESERVES	-	666.562
1.12 OTHER RESERVES	-	-
1.13 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To owners of ordinary shares	-	-
2.2.2 To owners of preferred shares	-	-
2.2.3 To owners of preferred shares (pre-emptive rights)	-	-
2.2.4 To profit sharing bonds	-	-
2.2.5 To holders of profit and loss sharing certificates	-	-
2.3 DIVIDENDS TO PERSONNEL (-)	-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE <sup>(2)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0.26	0.24
3.2 TO OWNERS OF ORDINARY SHARES (%)	26.17	23.81
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2020 yet, only profit available for distribution for the year 2020 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 period and the prior period amounts are related to deferred tax income.

<sup>(4)</sup> The profit distribution table for the previous period became final with the decision of the Ordinary General Assembly dated 26 March 2020, after the publication of the independently audited financial statements dated 31 December 2019 and rearranged in this direction. Also, the previous period adjustments stated in the Note XXIII of Section Three are not reflected in the previous period profit distribution table.

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

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### **SECTION THREE**

#### **ACCOUNTING POLICIES**

##### **I. Basis of presentation**

##### **I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents**

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2020 period are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

The format and content of the accompanying unconsolidated financial statements and footnotes have been prepared in accordance with the "Communique' on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communique on Disclosures About Risk Management to be Announced to Public by Banks."

The accompanying unconsolidated financial statements and the explanatory footnotes, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL").

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

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34 "Interim Financial reporting" except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### **I.b Valuation principles used in the preparation of financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXII.

Coronavirus epidemic spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. Due to COVID-19, the Bank allowed loan customers to translate their principal, interest and installments under current conditions if they demand and began to apply the translations within this context. As it is intended to update the financial information contained in the latest annual financial statements in the year end financial statements prepared as of 31 December 2020 and considering the magnitude of the economic changes occurred due to COVID-19, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote VIII "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **I. Basis of presentation (continued)**

##### **I.c The accounting policies for the correct understanding of the financial statements**

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

##### **Changes in accounting policies and disclosures**

TAS/IFRS changes, which entered into force as of January 1, 2021, do not have a significant effect on the accounting policies, financial status and performance of the Bank. TAS and IFRS changes, which were published but not put into effect as of the final date of the financial statements, will not have a significant effect on the accounting policies, financial status and performance of the Bank.

In addition, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in IFRS 9, TAS 39, IFRS 7, IFRS 4 and IFRS 16, was published in December 2020, effective from 1 January 2021, and early implementation of the changes is allowed. With the amendments made, certain exceptions are provided for the basis used in determining contractual cash flows and hedge accounting provisions. The effects of the changes on the Bank's financials have been evaluated and it has been concluded that there is no need for early application. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's work continues within the scope of adaptation to the changes.

##### **II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Bank have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate and cross currency financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest cross currency rate swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Bank performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. IFRS 9 provides the option of deferring the adoption of IFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Bank continues to apply the provisions of TAS 39 hedge accounting.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)**

Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities are indicated below.

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources. The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

##### **III. Explanations on forward and option contracts and derivative instruments**

The Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Bank are foreign currency forwards, swaps and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **III. Explanations on forward and option contracts and derivative instruments (continued)**

When a derivative financial instrument, is originally designed as a hedge by the Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The Bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

##### **IV. Explanations on associates and subsidiaries**

In the unconsolidated financial statements, Financial subsidiaries and Investments in associates are recognized equity method within the scope of Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements".

In accordance with Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" in the equity method, the book value of investment in associates and subsidiaries is reflected in the financial statements in proportion to the Bank's share of the net assets of these investments. The portion of the profit or loss of investment in associates and subsidiaries that are included in the Bank's share is accounted in the income statement of the Bank. The portion of the other comprehensive income that falls on the Bank's share is accounted in the other comprehensive income statement of the Bank.

##### **V. Explanations on interest income and expenses**

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate via accrual basis to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount.

Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **VI. Explanations on fees and commission income and expenses**

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Revenues obtained through contracts or through the purchase of assets for a third party real person or corporate person are recorded in the period they occur.

##### **VII. Explanations on financial assets**

###### **Initial recognition of financial instruments**

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

###### **Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

###### **Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The bank tested all financial assets within the scope of TFRS 9 "whether the contractual cash flows arise solely from interest and capitals" and assessed the asset classification within the business model.

###### **Assessment of business model**

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models are divided into three categories.

###### **Business model whose aimed to hold assets in order to collect contractual cash flows:**

This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **VII. Explanations on financial assets (continued)**

###### **Business model aimed to collect contractual cash flows and sell financial assets:**

Receivables from Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at fair value through other comprehensive income are assessed in this business model.

###### **Other business models:**

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss and derivative financial assets are assessed in this business model.

###### **Measurement categories of financial assets and liabilities**

Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

###### **a. Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as "interest income" in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under "trading account income/losses" in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under "trading account income/losses".

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VII. Explanations on financial assets (continued)**

##### **a. Financial assets at the fair value through profit or loss (continued)**

Syndicated loans extended to Ojer Telekomünikasyon A.Ş. (OTAŞ) in the previous periods were restructured. Within this scope, in order to form the collateral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Turk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yönetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 31 December 2020, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 136.330 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss".

Total assets amounting to TL 327.500 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports).

The main objective of the lending banks is to transfer Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. 55% of LYY Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on 19 September 2019 for the sale of its shares. In this context, necessary studies related to sales and negotiations with potential investors initiated.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VII. Explanations on financial assets (continued)**

##### **b. Financial Assets at Fair Value Through Other Comprehensive Income:**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

##### **c. Financial Assets Measured at Amortized Cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement. In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds. The Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VII. Explanations on financial assets (continued)**

These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

#### **d. Loans**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of "All cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

#### **VIII. Explanations on impairment of financial assets**

Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. TFRS 9 impairment requirements are not eligible for equity instruments.

At each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition is assessed. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

#### **Calculation of expected credit losses**

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

Within the scope of TFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under TFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate/specilization)
- Product type



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### VIII. Explanations on impairment of financial assets (continued)

##### Calculation of expected credit losses (continued)

- Credit risk rating notes (ratings)
- Collateral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date,
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument,

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

Financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

##### **Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

##### **Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument. According to the BRSA's decision dated 27 March 2020 and numbered 8970 and decision dated 8 December 2020 and numbered 9312 the classification method is applied. The bank does not have any loans in this scope.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on impairment of financial assets (continued)**

##### **Calculation of expected credit losses (continued)**

###### **Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

According to the BRSA's decision dated 17 March 2020 and numbered 8948 and decision dated 8 December 2020 and numbered 9312 the classification method is applied. The bank does not have any loans in this scope.

##### **Debt instruments measured at fair value through other comprehensive income**

As of 1 January 2018, the impairment requirements are applies for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with IFRS 9. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

##### **Significant increase in credit risk**

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in bank credit risk, The Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on impairment of financial assets (continued)**

##### **Calculation of expected credit losses (continued)**

##### **Significant increase in credit risk (continued)**

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring
- Based on the decision of BRSA dated 17 March 2020 and numbered 8948, 90 days delay for the classification of non-performing loans in the scope of the forth and fifth articles of Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans can be applied for 180 days until 31 December 2020 for loans that classified in stage 1 and stage 2 within the board of decision as of 17 March 2020 due to disruptions in economic and commercial activities resulting from the COVID-19. Afterwards, with the decision of the Board dated 8 December 2020 and numbered 9312, the implementation period of this regulation was extended until 30 June 2021.

In this context;

- Temporarily, the receivables cannot be collect up to 180 days can be classified in Stage 2.
- For the customers who do not want to be delayed in overdue installments, the practice of being able to postpone installments within the scope of these periods has been started without breaking the existing restructuring contracts.
- In the process of completing the "Garame banks protocols", it was formed as a result of extending the time to be given to time-consuming operations with a mutual agreement. Ultimately, it was concluded that the expected credit losses to be calculated for such receivables will continue according to their own risk models used by banks in accordance with TFRS 9.
- In the decision of the BRSA dated 27 March 2020 and numbered 8970, it was decided to apply the 30-day delay period for the classification of loans in the stage 2 can used 90 days until 31 December 2020 due to the COVID-19 outbreak, and continue to calculate Expected credit losses in accordance with TFRS 9. With the decision of the Board dated 8 December 2020 and numbered 9312, the implementation period of this regulation was extended until 30 June 2021. As of 31 December 2020 the bank does not have any loans in this scope.

In the future expectations, 3 scenarios are used to be as base, bad and good. Final provisions are calculated by weighing on the possibilities given to the scenarios. Within the scope of the ECL effects of Covid-19, the weight of the base scenario was decreased of 3 scenarios, and weights of the bad and very bad scenarios was increased. Also for possible effects the Bank has established additional provisions for the sector and customers, which are considered to have a high impact on the expected credit loss calculations by making individual assessment for the risks that cannot be captured through the models.

This approach, which is preferred in expected credit losses calculations will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **IX. Explanations on offsetting, derecognition and restructuring of financial instruments**

##### **a. Offsetting of financial instruments**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

##### **b. Derecognition of financial instruments**

###### **Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

###### **Derecognition of financial assets without any change in contractual terms**

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

###### **Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **IX. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)**

##### **c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

The Bank's reclassification details of financial assets are presented in Section 3, Note VII.

##### **d. Restructuring and refinancing of financial instruments**

The Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Restuctured Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/refinancing.

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met in accordance with the relevant legislation:

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **X. Explanations on sales and repurchase agreements and lending of securities**

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts.

The repurchase agreements of the Bank are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements” account in the balance sheet.

##### **XI. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling.

Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group). As of 31 December 2020, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I-16.

A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XII. Explanations on goodwill and other intangible assets**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

##### **XIII. Explanations on tangible assets**

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value. Normal maintenance and repair expenditures are recognized as expense.

As of the third quarter of 2015, the Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts. The positive difference between appraisement value and net book value of the property is accounted under shareholder' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XIII. Explanations on tangible assets (continued)

Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

#### XIV. Explanations on leasing transactions

##### *The Bank as Lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

##### *The Bank as Lessee*

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Bank's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

In accordance with TFRS 16, the lessee, at the effective date of the lease, measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use related to the same date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The interest expense on the lease liability and the depreciation expense right of use are recorded separately.

##### **TFRS 16 Leases**

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. The mentioned standard has a transition effect amounting to TL 40.824 in "tangible assets" and "lease liability" in the Bank's financial statements. As of 31 December 2020 The Bank recognized right of use asset classified under tangible assets amounting to TL 20.707, lease liability amounting to TL 26.425 and amortization expenses amounting to TL 11.901, lease interest expenses amounting to TL 7.808.

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply "TFRS 16 Leases" Standard starting from 1 January 2019.



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XIV. Explanations on leasing transactions (continued)**

The Bank has applied TFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application TFRS 16 are stated below.

#### **Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- (a) the amount of lease liabilities recognized,
- (b) lease payments made at or before the commencement date less any lease incentives received and
- (c) initial direct costs incurred.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease Liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include

- a) fixed payments (including in-substance fixed payments) less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate,
- c) amounts expected to be paid under residual value guarantees.
- d) if the lease term reflects the Company/the Group exercising the option to terminate.
- e) the exercise price of a purchase option reasonably certain to be exercised by the Company/the Group and payments of penalties for terminating a lease,

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company/the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XIV. Explanations on leasing transactions (continued)**

After the effective date of the lease, the Bank measures the lease obligation as follows:

- a) The book value is increased to reflect the accretion of interest of lease liabilities
- b) The book value is reduced to reflect the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority ("POA") has changed to TFRS 16 "Leases" standard by publishing Privileges Granted in Lease Payments - "Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid19. This change did not have a significant impact on the financial status or performance of the Bank.

#### **Short-term leases and leases of low-value assets**

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **XV. Explanations on provisions and contingent liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Bank discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

#### **Explanations on contingent assets**

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred. Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XVI. Explanations on liabilities regarding employee benefits**

Bank calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19. Employees of the Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XVI. Explanations on liabilities regarding employee benefits (continued)**

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021. There is no need for technical or actual deficit to book provision as of 31 December 2020. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

##### **XVII. Explanations on taxation**

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 2019: 22%). In accordance with the Temporary Article 10 added to the Corporate Tax Law, Corporate Tax applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Due to the completion of the temporary tax rate change on corporate tax at the rate of 22% as of 2020 with the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, for the temporary differences that are expected to occur or to be closed in 2021 and after, the Bank has used 20% tax rate while preparing the financial statements.

The Bank started calculating deferred tax for the expected credit losses for Stage 1 and Stage 2.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XVII. Explanations on taxation (continued)**

##### ***Transfer pricing***

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing Through Camouflage of Earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

#### **XVIII. Additional explanations on borrowings**

The Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed.

The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value.

#### **XIX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 26 March 2020, it has been resolved that, the Bank has no capital increase.

Prior period, in the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase.

#### **XX. Explanations on acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### **XXI. Explanations on government incentives**

The Bank does not use government incentives.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XXII. Explanations on segment reporting

In accordance with its mission, the Bank mainly operates in corporate and investment banking segments. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided. The segmental allocation of the Bank's net profit, total assets and total liabilities are shown below.

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	1.005.305	994.178	-	1.999.483
Net Fees and Commission Income	34.184	15.961	-	50.145
Other Income	-	40.168	87.965	128.133
Other Expense	(1.010.132)	(42.045)	(178.236)	(1.230.413)
Profit Before Tax	29.357	1.008.262	(90.271)	947.348
Tax Provision				(214.519)
<b>Net Profit</b>				<b>732.829</b>
<b>Current Period</b>				
Segment Assets	37.634.445	11.288.060	1.311.033	50.233.538
Investment in Associates and Subsidiaries	-	-	1.232.821	1.232.821
<b>Total Assets</b>	<b>37.634.445</b>	<b>11.288.060</b>	<b>2.543.854</b>	<b>51.466.359</b>
Segment Liabilities	42.617.741	1.045.241	1.698.821	45.361.803
Shareholders' Equity	-	-	6.104.556	6.104.556
<b>Total Liabilities</b>	<b>42.617.741</b>	<b>1.045.241</b>	<b>7.803.377</b>	<b>51.466.359</b>

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XXII. Explanations on segment reporting (Continued)**

	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
<b>Prior Period</b>				
Net Interest Income	658.794	1.273.043	-	1.931.837
Net Fees and Commission Income	26.162	3.596	-	29.758
Other Income	13.780	-	99.394	113.174
Other Expense	(475.376)	(471.177)	(159.550)	(1.106.103)
Profit Before Tax	223.360	805.462	(60.156)	968.666
Tax Provision				(192.582)
<b>Net Profit</b>				<b>776.084</b>
<b>Prior Period</b>				
Segment Assets	30.810.345	8.953.223	870.010	40.633.578
Investment in Associates and Subsidiaries	-	-	866.767	866.767
<b>Total Assets</b>	<b>30.810.345</b>	<b>8.953.223</b>	<b>1.736.777</b>	<b>41.500.345</b>
Segment Liabilities	34.200.426	1.031.556	1.101.220	36.333.202
Shareholders' Equity	-	-	5.167.143	5.167.143
<b>Total Liabilities</b>	<b>34.200.426</b>	<b>1.031.556</b>	<b>6.268.363</b>	<b>41.500.345</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XXIII. Explanations on other matters

##### 1. Changes Related to Previous Period Financial Statements

###### Effects of the change of TAS 27

According to Communique published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements" an option was recognized to account to cost of assets investments of subsidiaries, joint ventures and associates while applying TFRS 9 "Financial Instruments" standart or Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method.

As of 30 June 2020, the Bank has started to account for its all subsidiaries and Investments in associates in accordance with the equity method defined in TAS 28, as detailed in Section 3, Note IV.

Subsidiaries and Investments in associates are accounted in accordance with TFRS 9 in the unconsolidated financial statements before the related accounting policy change. According to TFRS 9, Subsidiaries that are traded in the organized markets and whose fair value can be determined reliably reflected in the financial statements with their fair values. Subsidiaries and Investment in Associates that are not traded in the organized markets and whose fair value cannot be determined reliably were reflected in the financial statements with their cost values after deducting the provision for impairment.

Due to the accounting policy change, the financial statements of the previous year have been restated within the framework of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Standard.

The effect of TAS 27 correction records on the previous year's financial statements is as follows:

31 December 2019	Previously Reported	Adjustment Effect	Restated
<b>Investment in associates (Net)</b>	<b>914.046</b>	<b>(447.151)</b>	<b>466.895</b>
Accounted Under on Equity Method	-	466.895	466.895
Unconsolidated Associates	914.046	(914.046)	-
<b>Subsidiaries (Net)</b>	<b>452.474</b>	<b>(52.602)</b>	<b>399.872</b>
Unconsolidated Financial Subsidiaries	448.295	(69.791)	378.504
Unconsolidated Non- Financial Subsidiaries	4.179	17.189	21.368
<b>TOTAL ASSETS</b>	<b>42.000.098</b>	<b>(499.753)</b>	<b>41.500.345</b>
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	900.879	(826.726)	74.153
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	48.722	23.468	72.190
Extraordinary Reserves	833.645	229.066	1.062.711
Current Year Profit/Loss	701.645	74.439	776.084
<b>TOTAL LIABILITIES</b>	<b>42.000.098</b>	<b>(499.753)</b>	<b>41.500.345</b>
Dividend Income	7.123	(4.041)	3.082
Profit/(Loss) on Equity Method	-	78.480	78.480
<b>Current Year Profit/Loss</b>	<b>701.645</b>	<b>74.439</b>	<b>776.084</b>



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**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XXIII. Explanations on other matters (continued)****1. Changes Related to Previous Period Financial Statements (continued)****Effects of the change of TAS 27 (continued)**

<b>31 December 2018</b>	<b>Previously Reported</b>	<b>Adjustment Effect</b>	<b>Restated</b>
<b>Investment in associates (Net)</b>	<b>1.017.509</b>	<b>(587.290)</b>	<b>430.219</b>
Accounted Under on Equity Method	-	430.219	430.219
Unconsolidated Associates	1.017.509	(1.017.509)	-
<b>Subsidiaries (Net)</b>	<b>304.957</b>	<b>37.733</b>	<b>342.690</b>
Unconsolidated Financial Subsidiaries	301.178	22.512	323.690
Unconsolidated Non- Financial Subsidiaries	3.779	15.221	19.000
<b>TOTAL ASSETS</b>	<b>38.298.111</b>	<b>(549.557)</b>	<b>37.748.554</b>
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	849.710	(785.414)	64.296
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(146.356)	6.791	(139.565)
Extraordinary Reserves	170.106	178.103	348.209
Current Year Profit/Loss	660.926	50.963	711.889
<b>TOTAL LIABILITIES</b>	<b>38.298.111</b>	<b>(549.557)</b>	<b>37.748.554</b>
Dividend Income	4.011	-	4.011
Profit/(Loss) on Equity Method	-	50.963	50.963
<b>Current Year Profit/Loss</b>	<b>660.926</b>	<b>50.963</b>	<b>711.889</b>

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

##### **I. Explanations related to shareholders' equity**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of 30 December 2020, the capital adequacy ratio of Bank has been calculated as 19,41% (31 December 2019: 17,79%).

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 year-end exchange rates in calculating of the amount of subject to credit risk while calculation on amounts valued in accordance with TAS and the related specific provision except of monetary and non-monetary items in foreign currency measured in terms of the historical cost in accordance with Regulation on Measurement and Assessment of Capital Adequacy of and if the net valuation differences of the securities owned by the banks; with the decision dated 8 December 2020 and numbered 9312, the Central Bank of the last 252 business days before the calculation date enabled the use of the simple arithmetic average of the foreign exchange buying rates. In addition, based on the decision dated 23 March 2020, before 23 March 2020 in the portfolio of "Fair value through other comprehensive income" are negative, these negative differences may not be taken into account of calculation in accordance with the Regulation on Banks' Equity and used for capital adequacy ratio due to the fluctuations in the financial markets as a result of the COVID-19 epidemic.

Since the sum of the valuation differences of the securities included in the portfolio of "Financial Assets at Fair Value Through Other Comprehensive Income" is positive, the Bank did not use the regulation of the BRSA in this period.

In addition, according to BRSA 16 April 2020 judgment it was decided to apply 0% risk weight in the calculation of amount subject to credit risk of the banks receivables from Central Management of Republic of Turkey and issued in FX in accordance with Standard Approach within the scope of Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

##### I. Explanations related to shareholders' equity (continued)

	Current Period	Prior Period <sup>(1)</sup>
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	2.222.240	1.215.276
Other comprehensive income according to TAS	423.604	1.018.786
Profit	732.829	701.645
Current Period Profit	732.829	701.645
Prior Period Profit	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>6.179.047</b>	<b>5.736.081</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	74.491	69.185
Leasehold improvements on operational leases	1.191	2.202
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.304	3.029
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	50.116	367.333
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to shareholders' equity (continued)

	Current Period	Prior Period <sup>(1)</sup>
Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>129.102</b>	<b>441.749</b>
<b>Core Equity Tier I Capital</b>	<b>6.049.945</b>	<b>5.294.332</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>6.049.945</b>	<b>5.294.332</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	2.200.500	1.774.800
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to shareholders' equity (continued)

	Current Period	Prior Period <sup>(1)</sup>
Provisions (Article 8 of the Regulation on the Equity of Banks)	515.643	498.713
<b>Tier II Capital Before Deductions</b>	<b>2.716.143</b>	<b>2.273.513</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2.716.143</b>	<b>2.273.513</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>8.766.088</b>	<b>7.567.845</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****I. Explanations related to shareholder's equity (continued)**

	<b>Current Period</b>	<b>Prior Period (1)</b>
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	8,766.088	7.567.845
Total Risk Weighted Assets	45.172.365	42.536.184
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	13,39	12,45
Tier I Capital Adequacy Ratio (%)	13,39	12,45
Capital Adequacy Ratio (%)	19,41	17,79
<b>BUFFERS</b>		
Total buffer requirement (%)	2,510	2,510
Capital conservation buffer requirement (%)	2,500	2,500
Bank specific counter-cyclical buffer requirement (%)	0,010	0,010
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	7,39	6,45
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	610.006	566.166
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to shareholder's equity (continued)

	Current Period	Prior Period <sup>(1)</sup>
<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	1.036.807	552.284
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	515.643	498.713
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

<sup>(1)</sup>Prior period restatements explained in Section 3 Note XXIII are not reflected.

##### Explanations on the reconciliation between amounts related to equity items and on balance sheet

There are no differences between the amounts related to equity items and on balance sheet figures.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to shareholders' equity (continued)

##### Details on Subordinated Liabilities

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominque on Subordinated Liabilities of CMB numbered CMB-II-31.1
<b>Regulatory Treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date - Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Debt Instruments
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5 <sup>th</sup> year)
Subsequent call dates, if applicable	After 5th year only for once
<b>Interest and Dividend Payments</b>	
Fixed or floating dividend/coupon	Fixed/semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

	Convertible or non-convertible
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
	Write-down feature
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

#### II. Explanations related to credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

*Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types*

	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>
Exposures to sovereigns and their central banks	8.650.162	7.844.052	7.537.945	6.964.910
Exposures to regional and local governments	-	-	-	-
Exposures to administrative bodies and noncommercial entities	71.155	16.452	5.639	30.878
Exposures to multilateral development banks	17.725	20.102	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	3.367.177	3.228.122	2.602.654	3.857.108
Exposures to corporates	68.092.602	58.019.983	54.929.636	52.129.922
Retail exposures	-	-	-	-
Exposures secured by property	1.643.174	1.624.778	1.654.869	1.516.447
Past due receivables	888.831	720.798	749.429	555.963
Exposures in higher-risk categories	717.375	654.395	626.348	357.746
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	6.171	2.431	-	-
Equity investments	1.377.841	1.279.532	1.158.049	908.227
Other exposures	310.521	511.869	262.508	597.587

<sup>(1)</sup> Includes total risk amounts before the effect of credit risk mitigation.

<sup>(2)</sup> Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

There are control limits on positions held in the form of futures and options contracts and other similar contracts. Limits are continuously checked by the bank management. Credit risk is managed together with the potential risks arising from market movements. Credit risk, market risk, liquidity risk and other risks are considered as a whole. When exposed to significant credit risk, the Bank is on the verge of reducing total risk by concluding futures and similar contracts, exercising their rights, fulfilling or selling their performances in a short period of time. Indemnified non-cash loans are subject to the same risk weight as the unpaid credits when they occur.

Except for the monitoring method determined by the related legislation of the renewed and re-amortized loans, the current rating of the relevant company is changed within the Bank within the scope of internal rating application and all kinds of measures are taken for risk classification. The Bank follows concentration on a maturity basis and examines the risks that differ from the normal course. Foreign transactions are made with many correspondent banks in many countries. The counterparty limits have been set in transactions with banks. As an active participant in the international banking market, the Bank does not have significant credit risk concentration when evaluated together with the financial activities of other financial institutions.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

The first 100 and 200 largest cash loans constitute 77,12% and 94,96% of the total cash loans portfolio of the Bank respectively (31 December 2019: 73,38% and 92,54%).

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Bank respectively (31 December 2019: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 76,37% and 94,13% of the total on and off balance sheet accounts of the Bank respectively (31 December 2019: 72,73% and 91,86x%).

The Bank calculated the expected credit loss provision amounting to TL 1.040.959 in accordance with TFRS 9 stage 1 and stage 2 impairment model (31 December 2019: TL 555.774).

Credit risk is evaluated according to the Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to the Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings.

Information of credit amounts rated by internal rating model is given table below.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	9.921.945	9.281.586
Average Grade	23.614.999	20.299.648
Below Average Grade	8.051.381	5.408.531
Impaired	1.688.240	1.105.055
<b>Total</b>	<b>43.276.565</b>	<b>36.094.820</b>

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 44.322.323 and TL 1.045.758 of these customers have not been rated.

In cases where financial institutions do not have their own external ratings, the credit quality of the bank, which is the main shareholder of the financial institution, is evaluated as an average, taking into account the external rating of the bank.

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

	Current Period				Prior Period			
	31- 60 Days	61- 90 Days	Other	Total <sup>(1)</sup>	31- 60 Days	61- 90 Days	Other	Total
Corporate Loans	5	-	-	5	1.255	-	-	1.255
SME Loans	723	-	-	723	731	-	-	731
Consumer Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>728</b>	<b>1.986</b>	<b>-</b>	<b>-</b>	<b>1.986</b>

<sup>(1)</sup> Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 7.585.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Profile of significant exposures in major region

Current Period	Risk Types <sup>(1)</sup>																
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Domestic	8.538.786	-	14.232	-	-	2.190.048	36.590.496	-	1.643.174	888.831	95.850	-	-	6.171	114.615	72.169	50.154.372
European Union (EU)																	
Countries	-	-	-	3.984	-	226.993	-	-	-	-	-	-	-	-	68.670	113.191	412.838
OECD Countries <sup>(2)</sup>	-	-	-	-	-	2.255	-	-	-	-	-	-	-	-	-	-	2.255
Off-Shore Banking Regions																	
USA, Canada	-	-	-	-	-	283.663	-	-	-	-	-	-	-	-	-	-	283.663
Other Countries	-	-	-	13.741	-	75.334	141.052	-	-	-	-	-	-	-	-	-	230.127
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.194.556	-	1.194.556
Unallocated Assets/ Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32.047	32.047
<b>Total</b>	<b>8.538.786</b>	<b>-</b>	<b>14.232</b>	<b>17.725</b>	<b>-</b>	<b>2.778.293</b>	<b>36.731.548</b>	<b>-</b>	<b>1.643.174</b>	<b>888.831</b>	<b>95.850</b>	<b>-</b>	<b>-</b>	<b>6.171</b>	<b>1.377.841</b>	<b>217.407</b>	<b>52.309.858</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Profile of significant exposures in major region (continued)

Prior Period	Risk Types <sup>(1)</sup>													Equity investments in the form of collective undertakings	Equity investments	Other exposures	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates				
Domestic	7.512.652	-	1.128	-	-	1.569.356	31.396.930	-	1.651.791	749.429	77.654	-	-	-	91.820	49.012	43.099.772
European Union (EU)	-	-	-	-	-	249.122	-	-	-	-	-	-	-	-	53.806	96.782	399.710
Countries	-	-	-	-	-	10.001	-	-	-	-	-	-	-	-	-	-	10.001
OECD Countries <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	172.899	-	-	-	-	-	-	-	-	-	-	172.899
Other Countries	-	-	-	-	-	-	123.972	-	-	-	-	-	-	-	-	-	123.972
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.012.423	-	1.012.423
Unallocated Assets/ Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.459	-	-	-	-	-	-	-	-	95.295	96.754
<b>Total</b>	<b>7.512.652</b>	<b>-</b>	<b>1.128</b>	<b>-</b>	<b>-</b>	<b>2.001.378</b>	<b>31.522.361</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.158.049</b>	<b>241.089</b>	<b>44.915.531</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Risk profile by sectors or counterparties

Current Period	Risk Types <sup>(1)</sup>																TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and non-commercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures			
Agriculture	-	-	-	-	-	-	25.496	-	-	4.185	-	-	-	-	-	-	23.751	5.930	29.681
Farming and Stockbreeding	-	-	-	-	-	-	25.496	-	-	4.185	-	-	-	-	-	-	23.751	5.930	29.681
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	25.037.994	-	357.065	715.447	95.850	-	-	-	-	-	1.922.966	24.283.390	26.206.356
Mining and Quarrying	-	-	-	-	-	-	593.263	-	30.310	-	-	-	-	-	-	-	1	623.572	623.573
Production	-	-	-	-	-	-	7.818.788	-	272.677	7.345	-	-	-	-	-	-	907.831	7.190.979	8.098.810
Electricity, Gas and Water	-	-	-	-	-	-	16.625.943	-	54.078	708.102	95.850	-	-	-	-	-	1.015.134	16.468.839	17.483.973
Construction	-	-	-	-	-	-	1.535.249	-	214.605	9.190	-	-	-	-	-	-	404.500	1.354.544	1.759.044
Services	949.243	-	14.232	17.725	-	2.778.293	9.595.113	-	1.061.346	160.009	-	-	-	6.171	1.313.438	113.191	4.459.371	11.549.390	16.008.761
Wholesale and Retail Trade	-	-	-	-	-	-	439.538	-	23.160	63.432	-	-	-	-	-	-	112.073	414.057	526.130
Accommodation and Dining	-	-	-	-	-	-	686.299	-	818.635	-	-	-	-	-	-	-	82.675	1.422.259	1.504.934
Transportation and Telecommunication	-	-	-	-	-	-	2.085.978	-	25.629	96.577	-	-	-	-	2.123	-	99.327	2.110.980	2.210.307
Financial Institutions	949.243	-	14.232	17.725	-	2.778.293	4.481.421	-	-	-	-	-	-	6.171	1.303.011	113.191	4.000.063	5.663.224	9.663.287
Real Estate and Rental Services	-	-	-	-	-	-	145.217	-	-	-	-	-	-	-	-	-	109.045	36.172	145.217
Professional Services	-	-	-	-	-	-	394.274	-	91.145	-	-	-	-	-	8.304	-	8.339	485.384	493.723
Educational Services	-	-	-	-	-	-	202.962	-	13.895	-	-	-	-	-	-	-	47.849	169.008	216.857
Health and Social Services	-	-	-	-	-	-	1.159.424	-	88.882	-	-	-	-	-	-	-	-	1.248.306	1.248.306
Others	7.589.543	-	-	-	-	-	537.696	-	10.158	-	-	-	-	-	64.403	104.216	4.896.377	3.409.639	8.306.016
<b>Total</b>	<b>8.538.786</b>	<b>-</b>	<b>14.232</b>	<b>17.725</b>	<b>-</b>	<b>2.778.293</b>	<b>36.731.548</b>	<b>-</b>	<b>1.643.174</b>	<b>888.831</b>	<b>95.850</b>	<b>-</b>	<b>-</b>	<b>6.171</b>	<b>1.377.841</b>	<b>217.407</b>	<b>11.706.965</b>	<b>40.602.893</b>	<b>52.309.858</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Risk profile by sectors or counterparties (continued)

Prior Period															Risk Types <sup>(1)</sup>			TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and non-commercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures				
Agriculture	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	-	340	29.284	8.781	38.065	
Farming and Stockbreeding	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	-	-	28.944	8.781	37.725	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	20.513.652	-	372.166	670.336	77.654	-	-	-	-	-	-	1.159.284	20.474.524	21.633.808	
Mining and Quarrying	-	-	-	-	-	577.828	-	16.880	-	-	-	-	-	-	-	-	-	594.708	594.708	
Production	-	-	-	-	-	6.383.965	-	343.041	7.737	7	-	-	-	-	-	-	734.041	6.000.709	6.734.750	
Electricity, Gas and Water	-	-	-	-	-	13.551.859	-	12.245	662.599	77.647	-	-	-	-	-	-	425.243	13.879.107	14.304.350	
Construction	-	-	-	-	-	1.073.133	-	336.448	1.880	-	-	-	-	-	-	-	240.758	1.170.703	1.411.461	
Services	804.012	-	1.128	-	-	2.001.378	9.708.254	928.324	74.423	-	-	-	-	-	1.158.049	96.782	3.291.630	11.480.720	14.772.350	
Wholesale and Retail Trade	-	-	-	-	-	579.721	-	6.598	74423	-	-	-	-	-	-	-	235.666	425.076	660.742	
Accommodation and Dining	-	-	-	-	-	460.927	-	676.998	-	-	-	-	-	-	-	-	86.721	1.051.204	1.137.925	
Transportation and Telecommunication	-	-	-	-	-	2.267.772	-	-	-	-	-	-	-	-	65.459	-	86.341	2.246.890	2.333.231	
Financial Institutions	804.012	-	1.128	-	-	2.001.378	3.650.355	-	-	-	-	-	-	-	1.088.411	96.782	2.349.613	5.292.453	7.642.066	
Real Estate and Rental Services	-	-	-	-	-	277.980	-	-	-	-	-	-	-	-	-	-	7.816	270.164	277.980	
Professional Services	-	-	-	-	-	1.472.443	-	-	-	-	-	-	-	-	4.179	-	466.164	1.010.458	1.476.622	
Educational Services	-	-	-	-	-	192.336	-	17.395	-	-	-	-	-	-	-	-	50.094	159.637	209.731	
Health and Social Services	-	-	-	-	-	806.720	-	227.333	-	-	-	-	-	-	-	-	9.215	1.024.838	1.034.053	
Others	6.708.640	-	-	-	-	192.387	-	14.853	-	-	-	-	-	-	-	143.967	4.625.962	2.433.885	7.059.847	
<b>Total</b>	<b>7.512.652</b>	<b>-</b>	<b>1.128</b>	<b>-</b>	<b>-</b>	<b>2.001.378</b>	<b>31.522.361</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.158.049</b>	<b>241.089</b>	<b>9.346.918</b>	<b>35.568.613</b>	<b>44.915.531</b>	

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to credit risk (continued)****Analysis of maturity-bearing exposures according to remaining maturities**

Risk Types <sup>(1)</sup>	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Current Period</b>					
Exposures to sovereigns and their central banks	1.111.181	218.017	314.697	230.534	6.055.938
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	14.231	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	1.242.704	515.510	479.769	-	506.965
Exposures to corporates	1.983.220	1.497.077	1.231.502	2.153.352	29.466.147
Retail exposures	-	-	-	-	-
Exposures secured by property	4.666	2.986	1.705	23.461	1.610.356
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	225	51.474
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	-	-	352	924	24.424
<b>Total</b>	<b>4.356.002</b>	<b>2.233.590</b>	<b>2.028.025</b>	<b>2.408.496</b>	<b>37.715.305</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.



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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Analysis of maturity-bearing exposures according to remaining maturities (continued)

Risk Types <sup>(1)</sup>	Term to Maturity					
	Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks		843.155	358.011	391.497	158.809	4.875.385
Exposures to regional and local governments		-	-	-	-	-
Exposures to administrative bodies and noncommercial entities		1.128	-	-	-	-
Exposures to multilateral development banks		-	-	-	-	-
Exposures to international organizations		-	-	-	-	-
Exposures to banks and securities firms		703.446	272.595	380.933	308.290	336.065
Exposures to corporates		2.210.425	968.321	1.217.869	2.043.538	24.750.075
Retail exposures		-	-	-	-	-
Exposures secured by property		-	-	15.553	30.821	1.605.416
Past due receivables		-	-	-	-	-
Exposures in higher-risk categories		7.920	292	-	140	41.989
Exposures in the form of bonds secured by mortgages		-	-	-	-	-
Securitization positions		-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates		-	-	-	-	-
Equity investments in the form of collective investment undertakings		-	-	-	-	-
Equity investments		-	-	-	-	-
Other exposures		26	-	247	-	13.190
<b>Total</b>		<b>3.766.100</b>	<b>1.599.219</b>	<b>2.006.099</b>	<b>2.541.598</b>	<b>31.622.120</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

##### *Credit risk under standard approach*

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in capital adequacy calculation regarding exposures to banks and securities firm and corporates reside abroad, sovereigns and central bank. Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

Credit Quality Grades	Fitch Ratings	Risk Types			
		Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Original Maturities Less Than 3 Months	Claims with Original Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
2	AA-	20%	20%	50%	50%
	A+				
	A				
3	A-	50%	20%	50%	100%
	BBB+				
	BBB				
4	BBB-	100%	50%	100%	100%
	BB+				
	BB				
5	BB-	100%	50%	100%	150%
	B+				
	B				
6	B-	150%	150%	150%	150%
	CCC+				
	CCC				
	CCC-				
	CC				
	C				
	D				
Unrated	Unrated	100%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	100%

<sup>(1)</sup> Used in case when the risk weight of the sovereign of the Bank's country is not higher.

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to credit risk (continued)****Exposures by risk weights**

<b>Current Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation	8.459.875	-	2.426.024	4.947.944	-	35.778.925	87.084	-	610.006	54.611
Exposures After Credit Risk Mitigation	8.556.528	-	2.426.024	6.591.118	-	34.039.098	87.084	-	610.006	54.611

<b>Prior Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation	5.093.761	-	1.309.159	407.242	-	37.477.711	79.240	-	566.166	372.564
Exposures After Credit Risk Mitigation	5.240.740	-	1.309.159	2.059.033	-	35.661.193	79.240	-	566.166	372.564

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to credit risk (continued)****Miscellaneous information by key sectors or counterparty**

All of the Bank's impaired and underdeveloped receivables consist of domestic buyers.

Current Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Losses (TFRS 9)
Agriculture	-	27.899	23.714
Farming and Stockbreeding	-	27.899	23.714
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	2.856.472	1.273.148	911.367
Mining and Quarrying	-	197	197
Production	1.315.485	19.776	163.186
Electricity, Gas and Water	1.540.987	1.253.175	747.984
Services	1.164.810	339.767	324.926
Wholesale and Retail Trade	169.817	127.988	93.836
Accommodation and Dining	-	-	-
Transportation and Telecommunication	275.084	205.965	137.887
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	111.867	5.814	13.914
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	608.042	-	79.289
Others	325.986	44.129	67.336
<b>Total</b>	<b>4.347.268</b>	<b>1.684.943</b>	<b>1.327.343</b>

<sup>(1)</sup> Includes cash loans and leasing receivables.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to credit risk (continued)****Miscellaneous information by key sectors or counterparty (continued)**

Prior Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.898	25.108
Farming and Stockbreeding	-	27.898	25.108
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.650.408	957.369	465.954
Mining and Quarrying	-	196	196
Production	336.505	18.277	38.327
Electricity, Gas and Water	1.313.903	938.896	427.431
Services	1.547.731	113.255	200.516
Wholesale and Retail Trade	69.088	107.441	52.364
Accommodation and Dining	-	-	-
Transportation and Telecommunication	164.354	-	53.229
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	926.288	5.814	46.196
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	388.001	-	48.727
Others	201.212	4.352	12.674
<b>Total</b>	<b>3.399.351</b>	<b>1.102.874</b>	<b>704.252</b>

<sup>(1)</sup> Includes cash loans.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

##### Information related with value adjustments and loan loss provisions

	Opening balance <sup>(1)</sup>	Provision for the period	Provision reversals	Other adjustments	Closing balance
<b>Current Period</b>					
Stage 3 Provisions	353.445	400.113	(2.049)	-	751.509
Stage 1-2 Provisions	555.774	508.494	(23.309)	-	1.040.959
<b>Prior Period</b>					
Stage 3 Provisions	164.653	198.007	(9.215)	-	353.445
Stage 1-2 Provisions	362.362	193.412	-	-	555.774

##### Exposures Subject to Countercyclical Capital Buffer

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

Current Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
<b>Country risk taken ultimately</b>			
United States	92.457	-	92.457
Georgia	141.049	-	141.049
England	94.969	-	94.969
Luxembourg	181.862	-	181.862
Turkey	38.770.305	-	38.770.305
<b>Total</b>	<b>39.280.642</b>	<b>-</b>	<b>39.280.642</b>
<b>Prior Period</b>			
<b>Country risk taken ultimately</b>			
United States	39.819	-	39.819
Georgia	123.972	-	123.972
England	51.710	-	51.710
Turkey	37.295.281	-	37.295.281
<b>Total</b>	<b>37.510.782</b>	<b>-</b>	<b>37.510.782</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
<b>The Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2020	7,3350	9,0193
<b>Prior Five Workdays:</b>		
30 December 2020	7,3250	9,0016
27 December 2020	7,4025	9,0606
26 December 2020	7,5275	9,1970
25 December 2020	7,5375	9,1941
24 December 2020	7,6030	9,2786

Simple arithmetic one month averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 7,6819 and 9,3510 respectively.

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### III. Explanations related to currency risk (continued)

##### Information on the Bank's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	442.443	578.939	-	1.021.382
Banks	56.814	108.549	3.989	169.352
Financial Assets at Fair Value Through Profit or Loss <sup>(1)</sup>	119.055	526.614	561	646.230
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	77.394	2.619.336	-	2.696.730
Loans <sup>(2)</sup>	16.293.172	18.387.438	-	34.680.610
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	363.157	-	363.157
Derivative Financial Assets for Hedging Purposes	-	334.421	-	334.421
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(3)</sup>	259.410	199.870	-	459.280
<b>Total Assets</b>	<b>17.248.288</b>	<b>23.118.324</b>	<b>4.550</b>	<b>40.371.162</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	213.896	109.809	-	323.705
Funds Provided From Other Financial Institutions	14.234.169	17.942.809	-	32.176.978
Marketable Securities Issued <sup>(4)</sup>	-	10.320.778	-	10.320.778
Miscellaneous Payables	10.052	104.402	41	114.495
Derivative Financial Liabilities for Hedging Purposes <sup>(5)</sup>	-	-	-	-
Other Liabilities <sup>(6)</sup>	130.968	303.744	175	434.887
<b>Total Liabilities</b>	<b>14.589.085</b>	<b>28.781.542</b>	<b>216</b>	<b>43.370.843</b>
<b>Net Balance Sheet Position</b>	<b>2.659.203</b>	<b>(5.663.218)</b>	<b>4.334</b>	<b>(2.999.681)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2.172.755)</b>	<b>6.303.752</b>	<b>(2.333)</b>	<b>4.128.664</b>
Financial Derivative Assets	1.479.804	7.943.777	149.341	9.572.922
Financial Derivative Liabilities	(3.652.559)	(1.640.025)	(151.674)	(5.444.258)
Non-Cash Loans <sup>(7)</sup>	1.875.631	2.705.274	1.876	4.582.781
<b>Prior Period</b>				
Total Assets	14.083.547	18.277.558	8.707	32.369.812
Total Liabilities	12.065.189	22.458.316	899	34.524.404
<b>Net Balance Sheet Position</b>	<b>2.018.358</b>	<b>(4.180.758)</b>	<b>7.808</b>	<b>(2.154.592)</b>
<b>Net Off -Balance Sheet Position</b>	<b>(1.929.912)</b>	<b>4.460.081</b>	<b>(7.788)</b>	<b>2.522.381</b>
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(2.967.435)	(2.614.729)	(157.686)	(5.739.850)
Non-Cash Loans <sup>(7)</sup>	1.806.354	2.287.913	2.715	4.096.982

<sup>(1)</sup> Exchange rate differences arising from derivative transactions amounting to TL 77.674 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

<sup>(2)</sup> Loans include TL 1.410.644 foreign currency indexed loans, TL 205.726 financial lease receivables, TL 929.979 non-performing loans, and TL (335.780) credit-impaired losses (stage III/specific provision).

<sup>(3)</sup> Prepaid expenses amounting to TL 2.923, Forward foreign exchange purchase transaction discounts amounting to TL 54 and 12 months expected credit loss for other assets amounting to TL (3.389) are not included other assets.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(5)</sup> Derivative financial assets for hedging purposes has classified in line of derivative financial assets in financial statement. Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement. (154.049) TL of foreign exchange difference accrual has been deducted from "Hedging Derivative Financial Assets".

<sup>(6)</sup> Exchange rate differences arising from derivative transactions amounting to TL 76.825, and other provisions amounting to TL 29.593 have not been included in "Other Liabilities".

<sup>(7)</sup> Has no effect on net off-balance sheet position.



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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to currency risk (continued)

The Bank is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate		Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10		51.921	28.442	12.132	(509)
Euro	10		48.645	8.835	-	10
Other	10		200	2	-	-

	Decrease in Currency Rate		Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10		(51.921)	(28.442)	(12.132)	509
Euro	10		(48.645)	(8.835)	-	(10)
Other	10		(200)	(2)	-	-

<sup>(1)</sup> Values expressed are before the tax effect.

<sup>(2)</sup> Effect on equity does not include effect on profit/loss.

##### IV. Explanations related to interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results, which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IV. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total <sup>(2)</sup>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	2.166	-	-	-	-	1.020.914	1.023.080
Banks <sup>(2)</sup>	189.730	-	-	-	-	35.387	225.117
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	67.522	396.022	344.114	430.958	360.680	-	1.599.296
Money Market Placements <sup>(2)</sup>	629.271	423.309	370.281	-	-	-	1.422.861
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	86.937	432.106	795.592	1.738.026	1.407.390	142.801	4.602.852
Loans <sup>(2)</sup>	6.697.283	6.354.006	10.433.382	6.794.781	7.091.896	-	37.371.348
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	418.347	1.113.699	1.185.037	-	362.781	-	3.079.864
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	2.077.538	2.141.941
<b>Total Assets</b>	<b>8.091.256</b>	<b>8.719.142</b>	<b>13.128.406</b>	<b>9.028.168</b>	<b>9.222.747</b>	<b>3.276.640</b>	<b>51.466.359</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.045.241	-	-	-	-	-	1.045.241
Miscellaneous Payables	-	-	-	-	-	125.321	125.321
Marketable Securities Issued <sup>(4)</sup>	-	-	2.221.421	8.099.357	-	-	10.320.778
Funds Provided from Other Financial Institutions	3.374.770	8.010.261	12.897.745	3.636.946	4.377.241	-	32.296.963
Other Liabilities	78.372	79.371	108.972	391.963	242.727	6.776.651	7.678.056
<b>Total Liabilities</b>	<b>4.498.383</b>	<b>8.089.632</b>	<b>15.228.138</b>	<b>12.128.266</b>	<b>4.619.968</b>	<b>6.901.972</b>	<b>51.466.359</b>
<b>Balance Sheet Long Position</b>	<b>3.592.873</b>	<b>629.510</b>	-	-	<b>4.602.779</b>	-	<b>8.825.162</b>
<b>Balance Sheet Short Position</b>	-	-	<b>(2.099.732)</b>	<b>(3.100.098)</b>	-	<b>(3.625.332)</b>	<b>(8.825.162)</b>
Off-Balance Sheet Long Position	-	-	400.694	3.126.618	927.267	-	4.454.579
Off-Balance Sheet Short Position	(2.261.615)	(2.162.299)	-	-	-	-	(4.423.914)
<b>Total Position</b>	<b>1.331.258</b>	<b>(1.532.789)</b>	<b>(1.699.038)</b>	<b>26.520</b>	<b>5.530.046</b>	<b>(3.625.332)</b>	<b>30.665</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IV. Explanations related to interest rate risk (continued)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	803.582	-	-	-	-	26	803.608
Banks <sup>(2)</sup>	66.978	-	-	-	-	11.120	78.098
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	187.071	401.575	316.607	151.629	168.513	-	1.225.395
Money Market Placements <sup>(2)</sup>	252.767	272.580	252	-	-	-	525.599
Available-for-Sale Financial Assets	159.716	436.915	1.147.301	1.646.055	679.717	94.459	4.164.163
Loans <sup>(2)</sup>	5.398.515	7.365.035	8.697.347	5.230.649	3.855.702	-	30.547.248
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	338.296	994.092	950.535	-	298.877	-	2.581.800
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	1.510.031	1.574.434
<b>Total Assets</b>	<b>7.206.925</b>	<b>9.470.197</b>	<b>11.112.042</b>	<b>7.092.736</b>	<b>5.002.809</b>	<b>1.615.636</b>	<b>41.500.345</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.031.556	-	-	-	-	-	1.031.556
Miscellaneous Payables	-	-	-	-	-	69.967	69.967
Marketable Securities Issued <sup>(4)</sup>	-	-	2.087.826	5.765.669	-	-	7.853.495
Funds Provided from Other Financial Institutions	3.646.106	6.176.586	9.490.539	2.692.068	4.341.632	-	26.346.931
Other Liabilities	121.783	222.183	127.051	47.604	-	5.679.775	6.198.396
<b>Total Liabilities</b>	<b>4.799.445</b>	<b>6.398.769</b>	<b>11.705.416</b>	<b>8.505.341</b>	<b>4.341.632</b>	<b>5.749.742</b>	<b>41.500.345</b>
<b>Balance Sheet Long Position</b>	<b>2.407.480</b>	<b>3.071.428</b>	-	-	<b>661.177</b>	-	<b>6.140.085</b>
<b>Balance Sheet Short Position</b>	-	-	<b>(593.374)</b>	<b>(1.412.605)</b>	-	<b>(4.134.106)</b>	<b>(6.140.085)</b>
Off-Balance Sheet Long Position	-	-	-	4.035.583	673.362	-	4.708.945
Off-Balance Sheet Short Position	(1.184.952)	(1.317.889)	(1.773.188)	-	-	-	(4.276.029)
<b>Total Position</b>	<b>1.222.528</b>	<b>1.753.539</b>	<b>(2.366.562)</b>	<b>2.622.978</b>	<b>1.334.539</b>	<b>(4.134.106)</b>	<b>432.916</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IV. Explanations related to interest rate risk (continued)****Average interest rates applied to monetary financial instruments: %**

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	12,00
Banks	0,95	0,05	-	17,38
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	4,34	-	-
Money Market Placements	-	-	-	17,16
Financial Assets at Fair Value Through Other Comprehensive Income	2,68	5,19	-	11,91
Loans	4,70	5,57	-	15,09
Financial Assets Measured at Amortized Cost	-	5,60	-	13,31
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	0,26	-	16,68
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	4,29	-	-
Borrower Funds	0,10	0,20	-	12,50
Funds Provided From Other Financial Institutions	1,06	1,48	-	11,81

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes loans measured at fair value through profit or loss.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IV. Explanations related to interest rate risk (continued)****Average interest rates applied to monetary financial instruments in prior period: %**

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	4,72	1,55	-	-
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	-
Money Market Placements	-	-	-	13,50
Financial Assets at Fair Value Through Other Comprehensive Income	4,24	4,76	-	17,49
Loans	4,59	6,72	-	16,12
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	-
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,03	2,87	-	10,78

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes loans measured at fair value through profit or loss.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### V. Explanations related to stock position risk

Accounting practices regarding investments in associates and subsidiaries are included in Section 3 Note XXIII.I.

##### Equity shares risk due from banking book

The table below is the comparison table of the Bank's share certificate instruments' book value, and market value.

Current Period	Comparison		
	Book Value	Fair Value	Market Value
<b>Share Certificate Investments</b>			
<b>Investment in Shares-Grade A</b>	<b>552.922</b>	-	<b>1.068.704</b>
Quoted	552.922	-	1.068.704
<b>Investment in Shares-Grade B</b>	<b>424.079</b>	-	<b>2.416.263</b>
Quoted	424.079	-	2.416.263

Prior Period	Comparison		
	Book Value	Fair Value	Market Value
<b>Share Certificate Investments</b>			
<b>Investment in Shares-Grade A</b>	<b>416.903</b>	-	<b>851.774</b>
Quoted	416.903	-	851.774
<b>Investment in Shares-Grade B</b>	<b>265.505</b>	-	<b>346.953</b>
Quoted	265.505	-	346.953

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****V. Explanations related to stock position risk (continued)****Equity shares risk due from banking book (continued)**

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	Realized Revenues and Losses in the Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital <sup>(1)</sup>	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	111.358	111.358	-	-	-
Other Share Certificates	-	110.445	110.445	-	-	-
<b>Total</b>	-	<b>221.803</b>	<b>221.803</b>	-	-	-

<sup>(1)</sup> Refers to the amounts reflected to equity for investments in associates and subsidiaries valued according to the equity method.

Prior Period	Realized Revenues and Losses in the Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital <sup>(1)</sup>	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	30.174	30.174	-	-	-
Other Share Certificates	-	48.426	48.426	-	-	-
<b>Total</b>	-	<b>78.600</b>	<b>78.600</b>	-	-	-

<sup>(1)</sup> Refers to the amounts reflected in equity for investments according to the equity method.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

###### **1. Explanations related to the liquidity risk**

###### **1.a Information about the governance of unconsolidated liquidity risk management, including: risk tolerance, structure and responsibilities for unconsolidated liquidity risk management, internal unconsolidated liquidity reporting and communication of unconsolidated liquidity risk strategy, policies and practices across business lines and with the board of directors**

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

As a result of the financial uncertainty caused by the coronavirus outbreak, liquidity management has been one of the top priorities of the Bank. According to the regulation published by the BRSA on 12.01.2020, for deposit banks; It was decided to provide flexibility in compliance with the minimum ratios of the Liquidity Coverage Ratio (LCR) and for development and investment banks ; in order to reduce the operational burden, it was decided to exempt the Liquidity Coverage Ratio (LCR) from the reporting obligations to the Agency until 31 December 2020. As of 1 January 2021 reporting to the Agency started.

The Bank continues to manage LCR within the framework of risk appetite by keeping its high quality liquid assets at a sufficient level.

###### **1.b Information on the centralization degree of unconsolidated liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries**

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

###### **1.c Information on the Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

###### **1. Explanations related to the liquidity risk (continued)**

###### **1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

###### **1.d Information on unconsolidated liquidity risk mitigation techniques**

Unconsolidated Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article c. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

###### **1.e Information on the use of stress tests**

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

###### **1.f General information on urgent and unexpected unconsolidated liquidity situation plans**

There is a Contingency Funding Plan for the contingent periods that arises beyond the Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cash flow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cash flow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

##### 2. Liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months unconsolidated foreign currency and total liquidity coverage ratios are shown below:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value		
	TL+FC	FC	TL+FC	FC	
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>					
1	High quality liquid assets	-	-	4.950.076	2.896.176
<b>CASH OUTFLOWS</b>					
2	Retail and Customers Deposits	2	1	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	2	1	-	-
5	Unsecured Funding other than Retail and Small Business, Customers Deposits	2.010.111	1.722.619	1.498.674	1.254.248
6	Operational deposits	77.875	68.477	19.469	17.119
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.932.236	1.654.142	1.479.205	1.237.129
9	Secured funding	-	-	-	-
10	Other Cash Outflows	404.333	527.933	404.333	527.933
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	211.753	335.353	211.753	335.353
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	192.580	192.580	192.580	192.580
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	29.695.004	24.993.715	1.484.750	1.249.686
15	Other irrevocable or conditionally revocable commitments	10.765.073	9.785.245	1.169.254	1.046.328
16	<b>TOTAL CASH OUTFLOWS</b>			<b>4.557.011</b>	<b>4.078.195</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	3.111	-	-	-
18	Unsecured Lending Transactions	3.029.404	1.434.574	2.378.673	887.434
19	Other contractual cash inflows	122.990	1.943.235	122.990	1.943.235
20	<b>TOTAL CASH INFLOWS</b>	<b>3.155.505</b>	<b>3.377.809</b>	<b>2.501.663</b>	<b>2.830.669</b>
			<b>Upper Limit Applied Amounts</b>		
21	<b>TOTAL HQLA STOCK</b>			<b>4.950.076</b>	<b>2.896.176</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>2.055.348</b>	<b>1.247.526</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>241</b>	<b>232</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**2. Liquidity Coverage Ratio (continued)**

Prior Period		Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>					
1	High quality liquid assets	-	-	3.868.331	1.696.188
<b>CASH OUTFLOWS</b>					
2	Retail and Customers Deposits	32	5	3	1
3	Stable deposits	-	-	-	-
4	Less stable deposits	32	5	3	1
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.457.654	2.186.604	2.061.817	1.801.265
6	Operational deposits	98.291	84.906	24.573	21.226
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	2.359.363	2.101.698	2.037.244	1.780.039
9	Secured funding	-	-	-	-
10	Other Cash Outflows	936.105	1.230.464	936.105	1.230.464
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	758.360	1.052.719	758.360	1.052.719
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	177.745	177.745	177.745	177.745
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.644.761	16.429.582	1.032.238	821.479
15	Other irrevocable or conditionally revocable commitments	7.648.630	6.781.768	866.083	749.794
16	<b>TOTAL CASH OUTFLOWS</b>			<b>4.896.246</b>	<b>4.603.003</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	105.105	-	-	-
18	Unsecured Lending Transactions	2.709.927	1.688.982	2.034.687	1.165.220
19	Other contractual cash inflows	84.214	1.356.319	84.214	1.356.319
20	<b>TOTAL CASH INFLOWS</b>	<b>2.899.246</b>	<b>3.045.301</b>	<b>2.118.901</b>	<b>2.521.539</b>
21	<b>TOTAL HQLA STOCK</b>			<b>3.868.331</b>	<b>1.696.188</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>2.777.345</b>	<b>2.081.464</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>139</b>	<b>81</b>

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

###### **3. Minimum explanations related to the liquidity coverage ratio by Banks:**

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. For total and foreign currency limits 100% and 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

During the reporting period, the lowest value of the Total Liquidity Coverage ratio was 202.58 in the week of 20/11/2020, the highest value was 319.73 in the week of 18/12/2020, and the lowest value of the Foreign Currency Liquidity Coverage ratio was 168.64 in the week of 06/11/2020. The highest value was at 302.79 in the week of 11/12/2020.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 28%. 5% of the Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

##### Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)</sup>	Total <sup>(2)</sup>
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	17	1.023.063	-	-	-	-	-	1.023.080
Banks <sup>(2)</sup>	35.387	189.730	-	-	-	-	-	225.117
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	-	420.487	646.548	520.853	11.408	-	-	1.599.296
Money Market Placements <sup>(2)</sup>	-	629.271	423.309	370.281	-	-	-	1.422.861
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	395.105	457.205	2.121.425	1.486.316	142.801	4.602.852
Loans <sup>(2)</sup>	-	2.786.753	1.985.255	5.592.763	18.728.689	8.277.888	-	37.371.348
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	-	304.369	-	-	2.298.737	476.758	-	3.079.864
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	-	2.077.538	2.141.941
<b>Total Assets</b>	<b>35.404</b>	<b>5.353.673</b>	<b>3.450.217</b>	<b>7.005.505</b>	<b>23.160.259</b>	<b>10.240.962</b>	<b>2.220.339</b>	<b>51.466.359</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	467.522	684.574	4.999.575	13.476.008	12.669.284	-	32.296.963
Money Market Borrowings	-	1.045.241	-	-	-	-	-	1.045.241
Marketable Securities Issued <sup>(4)</sup>	-	316.136	99.003	2.221.421	7.684.218	-	-	10.320.778
Miscellaneous Payables	-	-	-	-	-	-	125.321	125.321
Other Liabilities	-	407.423	190.121	278.250	25.611	-	6.776.651	7.678.056
<b>Total Liabilities</b>	<b>-</b>	<b>2.236.322</b>	<b>973.698</b>	<b>7.499.246</b>	<b>21.185.837</b>	<b>12.669.284</b>	<b>6.901.972</b>	<b>51.466.359</b>
<b>Liquidity Gap</b>	<b>35.404</b>	<b>3.117.351</b>	<b>2.476.519</b>	<b>(493.741)</b>	<b>1.974.422</b>	<b>(2.428.322)</b>	<b>(4.681.633)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(69.036)</b>	<b>118.236</b>	<b>(72.346)</b>	<b>46.037</b>	<b>7.774</b>	<b>-</b>	<b>30.665</b>
Financial Derivative Assets	-	1.909.302	2.081.900	5.534.260	15.268.806	3.179.750	-	27.974.018
Financial Derivative Liabilities	-	1.978.338	1.963.664	5.606.606	15.222.769	3.171.976	-	27.943.353
Non-cash Loans	-	260.744	336.541	2.535.054	525.831	978.073	302.597	4.938.840
<b>Prior Period</b>								
Total Assets	11.146	4.205.937	3.003.009	6.046.693	18.952.364	7.676.706	1.604.490	41.500.345
Total Liabilities	-	2.161.597	794.611	6.114.537	16.652.024	10.027.834	5.749.742	41.500.345
<b>Liquidity Gap</b>	<b>11.146</b>	<b>2.044.340</b>	<b>2.208.398</b>	<b>(67.844)</b>	<b>2.300.340</b>	<b>(2.351.128)</b>	<b>(4.145.252)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(2.085)</b>	<b>(180.911)</b>	<b>311.081</b>	<b>306.043</b>	<b>(1.212)</b>	<b>-</b>	<b>432.916</b>
Financial Derivative Assets	-	3.388.370	1.928.706	6.244.197	12.887.416	3.742.034	-	28.190.723
Financial Derivative Liabilities	-	3.390.455	2.109.617	5.933.116	12.581.373	3.743.246	-	27.757.807
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.542	4.547.718

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

###### *Analysis of financial liabilities by remaining contractual maturities*

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of undiscounted cashflow of financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	465.626	675.230	5.294.412	14.443.167	13.401.621	(1.983.093)	32.296.963
Money Market Borrowings	1.047.445	-	-	-	-	(2.204)	1.045.241
Marketable Securities Issued	158.619	83.905	2.496.662	8.613.593	-	(1.032.001)	10.320.778
Funds	122.105	-	-	-	-	-	122.105
Leasing Liabilities	1.400	2.800	12.531	17.984	-	(8.290)	26.425
<b>Total</b>	<b>1.795.195</b>	<b>761.935</b>	<b>7.803.605</b>	<b>23.074.744</b>	<b>13.401.621</b>	<b>(3.025.588)</b>	<b>43.811.512</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	912.994	552.597	4.255.712	12.304.472	11.377.902	(3.056.746)	26.346.931
Money Market Borrowings	1.032.719	-	-	-	-	(1.163)	1.031.556
Marketable Securities Issued	56.942	67.673	2.334.795	6.151.188	-	(757.103)	7.853.495
Funds	58.950	-	-	-	-	-	58.950
Leasing Liabilities	1.329	2.684	10.737	35.087	-	(15.559)	34.278
<b>Total</b>	<b>2.062.934</b>	<b>622.954</b>	<b>6.601.244</b>	<b>18.490.747</b>	<b>11.377.902</b>	<b>(3.830.571)</b>	<b>35.325.210</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****VI. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)****Analysis of financial liabilities by remaining contractual maturities**

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	3.375.099	3.763.576	10.447.985	30.349.253	6.351.726	54.287.639
Forward Contracts	312.066	204.528	692.882	142.322	-	1.351.798
Futures Transactions	-	-	-	-	-	-
Options	200.474	77.460	-	-	-	277.934
Other	-	-	-	-	-	-
<b>Total</b>	<b>3.887.639</b>	<b>4.045.564</b>	<b>11.140.867</b>	<b>30.491.575</b>	<b>6.351.726</b>	<b>55.917.371</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.238.555	2.993.242	8.293.852	24.774.091	7.485.280	48.785.020
Forward Contracts	727.240	552.169	3.455.183	653.118	-	5.387.710
Futures Transactions	-	-	-	-	-	-
Options	813.030	492.912	428.278	41.580	-	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>6.778.825</b>	<b>4.038.323</b>	<b>12.177.313</b>	<b>25.468.789</b>	<b>7.485.280</b>	<b>55.948.530</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Explanations related to presentation of financial assets and liabilities at fair value.

#### VII. Explanations related to leverage ratio

##### a) Information on subjects that causes difference in leverage ratio between current and prior period

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

As of 31 December 2020, leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,78% (31 December 2019: 11,10%). Total balance sheet assets are increased by 33,20% compared to prior period.

##### b) Leverage Ratio

		Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
	<b>Balance sheet Assets</b>		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	52.084.588	39.102.216
2	(Assets deducted from Core Capital)	(93.983)	(286.811)
3	<b>Total risk amount of balance sheet assets (sum of lines 1 and 2)</b>	<b>51.990.605</b>	<b>38.815.405</b>
	<b>Derivative financial assets and credit derivatives</b>		
4	Cost of replenishment for derivative financial assets and credit derivatives	1.663.566	991.440
5	Potential credit risk amount of derivative financial assets and credit derivatives	394.989	384.647
6	<b>Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)</b>	<b>2.058.555</b>	<b>1.376.087</b>
	<b>Financing transactions secured by marketable security or commodity</b>		
7	Risk amount of financing transactions secured by marketable security or commodity	479.826	572.349
8	Risk amount arising from intermediary transactions	-	-
9	<b>Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)</b>	<b>479.826</b>	<b>572.349</b>
	<b>Off-balance sheet transactions</b>		
10	Gross notional amount of off-balance sheet transactions	11.084.264	8.059.823
11	(Correction amount due to multiplication with credit conversion rates)	(4.895.145)	(2.804.361)
12	<b>Total risk of off-balance sheet transactions (sum of lines 10 and 11)</b>	<b>6.189.119</b>	<b>5.255.462</b>
	<b>Capital and total risk</b>		
13	Core Capital	5.938.217	5.109.154
14	Total risk amount (sum of lines 3, 6, 9 and 12)	60.718.105	46.019.303
	<b>Leverage ratio</b>		
15	<b>Leverage ratio</b>	<b>9,78%</b>	<b>11,10%</b>

<sup>(1)</sup>The arithmetic average of the last three months in the related periods in accordance with BRSA Regulation.

<sup>(2)</sup>The quarterly average of the amounts in the Leverage Ratio Table is not reflected in the previous period adjustments stated in Section 3, Note XXIII 1.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>Financial Assets</b>	<b>48.454.440</b>	<b>47.861.529</b>
Money Market Placements	1.422.996	1.422.996
Banks	225.147	225.147
Financial Assets at Fair Value Through Other Comprehensive Income	4.602.852	4.602.852
Financial asset measured at amortized cost	3.083.059	3.146.815
Loans <sup>(1)</sup>	39.120.386	38.463.719
<b>Financial Liabilities</b>	<b>44.042.130</b>	<b>43.628.040</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	33.464.309	33.464.309
Marketable Securities Issued <sup>(2)</sup>	10.320.778	9.906.688
Miscellaneous Payables	257.043	257.043

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>Financial Assets</b>	<b>38.777.251</b>	<b>37.514.698</b>
Money Market Placements	525.628	525.628
Banks	78.132	78.132
Available-For-Sale Financial Assets	4.164.163	4.164.163
Held-To-Maturity Investments	2.585.160	2.552.348
Loans <sup>(1)</sup>	31.424.168	30.194.427
<b>Financial Liabilities</b>	<b>35.360.899</b>	<b>35.145.540</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	27.437.437	27.437.437
Marketable Securities Issued <sup>(2)</sup>	7.853.495	7.638.136
Miscellaneous Payables	69.967	69.967

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to presentation of financial assets and liabilities at fair value (Continued)

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- iv- For the fair value calculation of marketable securities issued, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(1)</sup>	1.800.671	2.787.140	3.191
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading <sup>(2)</sup>	-	1.073.500	-
Derivative Financial Assets for Hedging Purposes <sup>(2)</sup>	-	262.699	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	720.931	-
Derivative Financial Liabilities for Hedging Purposes <sup>(3)</sup>	-	154.049	-

<sup>(1)</sup> Securities amounting to TL 11.850 under Financial Assets at Fair Value Through Other Comprehensive Income are reflected in the financial statements at their acquisition cost since they are not traded in an active market and these securities are not shown in this table.

<sup>(2)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(3)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VII. Explanations related to presentation of financial assets and liabilities at fair value (Continued)

Prior Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.957.189	55.816	146.262
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	894.414	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	67.884	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	467.798	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	16.545	-

<sup>(1)</sup> Securities amounting to TL 4.897 under Financial Assets at Fair Value Through Other Comprehensive Income are reflected in the financial statements at their acquisition cost since they are not traded in an active market and these securities are not shown in this table.

<sup>(2)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(3)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

Real estates which are presented in the financial statements at fair value are classified at level 2.

##### IX. Explanations related to transactions made on behalf of others and fiduciary transactions

The Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Bank does not deal with fiduciary transactions.

##### X. Explanations related to risk management

###### Linkages between financial statements and risk amounts

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

###### Disclosures on the Risk management approach and risk-weighted amount

Risk management approach of the Bank, allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to risk management (continued)**

###### **Linkages between financial statements and risk amounts (continued)**

Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period <sup>(1)</sup>	Current Period
1	Credit risk (excluding counterparty credit risk)	37.950.487	37.071.402	3.036.039
2	Standardised approach	37.950.487	37.071.402	3.036.039
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.775.929	1.410.244	142.074
5	Standardised approach for counterparty credit risk	1.775.929	1.410.244	142.074
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	1.369.825	577.150	109.585
17	Standardised approach	1.369.825	577.150	109.585
18	Internal model approaches	-	-	-
19	Operational risk	2.551.109	2.061.973	204.089
20	Basic indicator approach	2.551.109	2.061.973	204.089
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.525.015	1.415.415	122.001
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>45.172.365</b>	<b>42.536.184</b>	<b>3.613.789</b>

<sup>(1)</sup> Prior period adjustments stated in the Note XXIII.1 of Section 3 are not reflected.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances at Central Bank	1.023.080	1.023.626	-	-	-	-
Banks	225.117	225.147	-	-	-	-
Money Market Placements	1.422.861	1.422.996	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	263.097	263.097	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.602.852	4.605.436	1.599.481	-	-	-
Financial Assets Measured at Amortized Cost	3.079.864	3.083.059	603.584	-	-	-
Derivative Financial Assets	1.336.199	-	1.336.199	-	562.312	-
Loans	37.188.445	38.914.658	-	-	-	-
Leasing Receivables	182.903	205.726	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	64.403	64.403	-	-	-	-
Associates (net)	625.893	625.893	-	-	-	50.116
Subsidiaries (net)	606.928	606.928	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Tangible Assets (net)	89.720	88.529	-	-	-	1.191
Intangible Assets (net)	3.304	-	-	-	-	3.304
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Deffered Tax Assets	175.421	175.421	-	-	-	-
Other Assets	576.272	532.999	46.681	-	-	46.685
<b>Total Assets</b>	<b>51.466.359</b>	<b>51.837.918</b>	<b>3.585.944</b>	-	<b>562.312</b>	<b>101.296</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Linkages between financial statements and risk amounts (continued)

#### Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	
<b>Liabilities</b>						
Deposits	-	-	-	-	-	-
Funds Borrowed	32.296.963	-	824.813	-	-	31.472.150
Money Market Funds	1.045.241	-	960.214	-	-	85.027
Securities Issued	8.021.275	-	-	-	-	8.021.275
Funds	122.105	-	-	-	-	122.105
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	874.980	-	-	-	491.732	383.248
Factoring Payables	-	-	-	-	-	0
Lease Payables	26.425	-	-	-	-	26.425
Provisions	270.277	-	-	-	-	270.277
Current Tax Liability	147.991	-	-	-	-	147.991
Deffered tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	2.299.503	-	-	-	-	2.299.503
Other Liabilities	257.043	-	-	-	-	257.043
Shareholders' Equity	6.104.556	-	-	-	-	6.104.556
<b>Total Liabilities</b>	<b>51.466.359</b>	-	<b>1.785.027</b>	-	<b>491.732</b>	<b>49.189.600</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Prior Period <sup>(2)</sup>	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>		
<b>Assets</b>							
Cash and balances at central bank	803.608	804.036	-	-	-	-	-
Financial Assets Held for Trading	78.098	78.132	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	525.599	525.628	-	-	-	-	-
Banks	263.097	263.097	-	-	-	-	-
Money Market Placements	4.164.163	4.164.163	2.073.989	-	-	-	-
Financial Assets Available-for-Sale (net)	2.581.800	2.585.160	431.344	-	-	-	-
Loans and Receivables	962.298	-	962.298	-	294.149	-	-
Factoring Receivables	30.440.938	31.295.294	-	-	-	-	-
Investment Held-to-Maturity (net)	106.310	128.874	-	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	64.403	64.403	-	-	-	-	-
Joint-Ventures (net)	914.046	914.046	-	-	-	-	367.333
Finance Lease Receivables	452.474	452.474	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-	-	-	-
Tangible Assets (net)	91.224	89.022	-	-	-	-	2.202
Intangible Assets (net)	3.029	-	-	-	-	-	3.029
Investment Properties (net)	-	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	38.528	38.528	-	-	-	-	-
Other Assets	510.483	469.014	42.568	-	-	-	-
<b>Total Assets</b>	<b>42.000.098</b>	<b>41.871.871</b>	<b>3.510.199</b>	-	<b>294.149</b>	-	<b>372.564</b>

<sup>(1)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

<sup>(2)</sup> Prior period adjustments stated in the Note XXIII.1 of Section 3 are not reflected.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Linkages between financial statements and risk amounts (continued)

#### Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Prior Period <sup>(2)</sup>	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or subject to deduction from capital
<b>Liabilities</b>						
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	26.346.931	-	913.928	-	-	25.433.003
Funds Borrowed	1.031.556	-	1.031.556	-	-	-
Money Market Funds	6.023.450	-	-	-	-	6.023.450
Securities Issued	58.950	-	-	-	-	58.950
Funds	-	-	-	-	-	-
Miscellaneous Payables	484.343	-	-	-	230.707	484.343
Other Liabilities	-	-	-	-	-	-
Factoring Payables	34.278	-	-	-	-	34.278
Lease Payables	259.419	-	-	-	-	259.419
Derivative Financial Liabilities Held for Risk Management	77.425	-	-	-	-	77.425
Provisions	-	-	-	-	-	-
Tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	1.830.045	-	-	-	-	1.830.045
Subordinated Debts	186.805	-	-	-	-	186.805
Shareholders' Equity	5.666.896	-	-	-	-	5.666.896
<b>Total Liabilities</b>	<b>42.000.098</b>	-	<b>1.945.484</b>	-	<b>230.707</b>	<b>40.054.614</b>

<sup>(1)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

<sup>(2)</sup> Prior period adjustments stated in the Note XXIII.1 of Section 3 are not reflected.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Current Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1	Asset carrying value amount under scope of regulatory consolidation <sup>(1)</sup>	51.466.359	51.837.918	-	3.585.944	562.312
2	Liabilities carrying value amount under regulatory scope of consolidation <sup>(1)</sup>	51.466.359	-	-	1.785.027	491.732
<b>3</b>	<b>Total net amount</b>	-	<b>51.837.918</b>	-	<b>1.800.917</b>	<b>70.580</b>
4	Off-balance sheet amounts	66.799.075	4.477.382	-	463.185	-
5	Differences due to prudential filters	-	(4.005.442)	-	(56.139)	1.299.245
<b>6</b>	<b>Risk Amounts</b>	-	<b>52.309.858</b>	-	<b>2.207.964</b>	<b>1.369.825</b>

<sup>(1)</sup>The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

	Prior Period <sup>(2)</sup>	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1	Asset carrying value amount under scope of regulatory consolidation	-	-	-	3.467.631	294.149
2	Liabilities carrying value amount under regulatory scope of consolidation <sup>(1)</sup>	42.000.098	-	-	1.945.484	230.707
<b>3</b>	<b>Total net amount</b>	-	<b>41.871.871</b>	-	<b>1.522.147</b>	<b>63.442</b>
4	Off-balance sheet amounts	64.127.631	3.782.198	-	392.430	-
5	Differences due to prudential filters	-	(738.538)	-	205.389	513.708
<b>6</b>	<b>Risk Amounts</b>	-	<b>44.915.531</b>	-	<b>2.119.966</b>	<b>577.150</b>

<sup>(1)</sup>The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

<sup>(2)</sup> Prior period adjustments stated in the Note XXIII.1 of Section 3 are not reflected.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VI. Explanations on financial assets" in section "Accounting Policies" of chapter three of the report.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

###### Explanations related to credit risk

###### General qualitative information on credit risk

Credit risk is the possibility of incurring losses due to fulfill the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

###### Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/amortization and impairments (c)	Net Values (a+b+c) (d)
		Defaulted (a)	Non-defaulted (b)		
<b>Current Period</b>					
1	Loans	1.684.943	44.309.326	1.753.160	44.241.109
2	Debt Securities	-	7.576.728	30.031	7.546.697
3	Off-balance sheet exposures	4.430	10.910.456	33.182	10.881.704
4	<b>Total</b>	<b>1.689.373</b>	<b>62.796.510</b>	<b>1.816.373</b>	<b>62.669.510</b>
<b>Prior Period</b>					
1	Loans	1.102.874	35.018.618	878.511	35.242.981
2	Debt Securities	-	6.701.270	46.405	6.654.865
3	Off-balance sheet exposures	2.964	8.200.758	24.621	8.179.101
4	<b>Total</b>	<b>1.105.838</b>	<b>49.920.646</b>	<b>949.537</b>	<b>50.076.947</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Changes in stock of default loans and debt securities

<b>Current Period</b>		<b>Balance</b>
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.105.838</b>
2	Loans and debt securities that have defaulted since the last reporting period	442.638
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	140.987
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)</b>	<b>1.689.373</b>

<b>Prior Period</b>		<b>Balance</b>
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>595.338</b>
2	Loans and debt securities that have defaulted since the last reporting period	515.813
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(5.313)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)</b>	<b>1.105.838</b>

##### Additional disclosure related to the credit quality of assets

The Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to risk management (continued)**

###### **Explanations related to credit risk (continued)**

###### ***Breakdown of receivables according to major regions, sector and remaining maturities***

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Credit Risk."

###### ***Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions***

On the basis of geographical regions, the receivables from the Bank consist of domestic receivables.

On sectoral basis, the amount of the Bank's impaired loans and related provisions is included in footnotes under Section Four, Note II. "Information of major sectors or type of counterparties" explanations credit risk explanations .

The Bank has no written off receivables is as of 31 December 2020 (31 December 2019: None).

###### ***Aging analysis for overdue receivables***

The aging analysis of the receivables past due is included in footnotes under Section Four, Note II. "Explanations related to credit risk".

###### **Credit risk mitigation**

###### **Qualitative disclosure on credit risk mitigation techniques**

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial guarantees are assessed on a daily basis at the Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk mitigation (continued)

##### Qualitative disclosure on credit risk mitigation techniques (continued)

The value of the real estates is determined by the valuation institutions authorized by the Capital Markets Board.

The main collaterals that the Bank may use within the scope of credit risk mitigation techniques; financial collaterals, guarantees and mortgages. At 31 December 2020, guarantees and mortgages were used as the credit risk mitigation technique in the calculation of the amount subject to credit risk.

##### Credit risk mitigation techniques - Standard approach

	Current Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	41.591.446	2.532.732	1.651.167	114.347	96.653	-	-
2	Debt securities	7.549.281	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>49.140.727</b>	<b>2.532.732</b>	<b>1.651.167</b>	<b>114.347</b>	<b>96.653</b>	-	-
4	Of which defaulted	1.684.943	-	-	-	-	-	-

	Prior Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	32.969.556	1.689.397	1.572.183	190.722	146.979	-	-
2	Debt securities	6.654.865	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>39.624.421</b>	<b>1.689.397</b>	<b>1.572.183</b>	<b>190.722</b>	<b>146.979</b>	-	-
4	Of which defaulted	1.102.874	-	-	-	-	-	-

##### Credit risk under standard approach

##### Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The related disclosures are included in footnotes "Credit risk under standard approach" under Section Four, Note II "Explanations related to credit risk".

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach (continued)

##### Credit risk exposure and credit risk mitigation effects

Curent Period	Risk Groups	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	8.390.126	260.036	8.486.779	52.007	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	1	71.154	1	14.231	14.232	100%
4	Exposures to multilateral development banks	17.725	-	17.725	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.754.593	612.584	2.754.593	23.700	985.171	35%
7	Exposures to corporates	32.928.092	35.164.510	32.831.439	3.900.109	34.267.056	93%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.636.859	6.315	1.636.859	6.315	821.587	50%
11	Past due receivables	1.615.081	-	888.831	-	732.639	82%
12	Exposures in higher-risk categories	51.187	667.408	51.187	44.663	138.406	144%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	6.171	-	6.171	-	6.171	1
16	Other exposures	104.294	206.227	104.216	113.191	217.390	100%
17	Equity Investments	1.377.841	-	1.377.841	-	2.292.850	166%
<b>18</b>	<b>Total</b>	<b>48.881.970</b>	<b>36.988.234</b>	<b>48.155.642</b>	<b>4.154.216</b>	<b>39.475.502</b>	<b>75%</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach (continued)

##### Credit risk exposure and credit risk mitigation effects

Prior Period	Risk Groups	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	7.322.605	215.340	7.469.584	43.068	2.271.937	30%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	1	5.638	1	1.127	1.128	100%0
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1.965.833	636.821	1.965.833	35.545	1.304.395	65%
7	Exposures to corporates	28.216.484	26.713.153	28.051.757	3.470.604	30.970.151	98%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11	Past due receivables	1.102.874	-	749.429	-	748.763	100%
12	Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	144.322	118.186	144.308	96.781	241.064	100%
17	Equity Investments	1.158.049	-	1.158.049	-	2.007.298	173%
<b>18</b>	<b>Total</b>	<b>41.504.541</b>	<b>28.376.820</b>	<b>41.133.334</b>	<b>3.782.197</b>	<b>38.486.817</b>	<b>86%</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach (continued)

##### Exposures by asset classes and risk weights

Current Period					50% Secured by Real Estate Property						Total Risk Amount (After CCR and CVA)
Risk Groups/Risk Weight	0%	10%	20%	75%	100%	150%	200%	250%			
1 Exposures to sovereigns and their central banks	8.538.786	-	-	-	-	-	-	-	-	-	8.538.786
2 Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to administrative bodies and noncommercial entities	-	-	-	-	14.232	-	-	-	-	-	14.232
4 Exposures to multilateral development banks	17.725	-	-	-	-	-	-	-	-	-	17.725
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and securities firms	-	-	1.443.735	1.276.270	58.288	-	-	-	-	-	2.778.293
7 Exposures to corporates	-	-	982.289	3.357.319	32.391.940	-	-	-	-	-	36.731.548
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by property	-	-	-	1.643.174	-	-	-	-	-	-	1.643.174
10 Past due receivables	-	-	-	314.061	573.093	1.677	-	-	-	-	888.831
11 Exposures in higher-risk categories	-	-	-	294	10.149	85.407	-	-	-	-	95.850
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
13 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14 Equity investments in the form of collective investment undertakings	-	-	-	-	6.171	-	-	-	-	-	6.171
15 Equity investments	-	-	-	-	767.835	-	-	610.006	-	-	1.377.841
16 Other exposures	17	-	-	-	217.390	-	-	-	-	-	217.407
17 <b>Total</b>	<b>8.556.528</b>	<b>-</b>	<b>2.426.024</b>	<b>6.591.118</b>	<b>-</b>	<b>34.039.098</b>	<b>87.084</b>	<b>-</b>	<b>610.006</b>	<b>-</b>	<b>52.309.858</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach (continued)

##### Exposures by asset classes and risk weights

	Prior Period				50% Secured by Real Estate Property						Total Risk Amount (After CCR and CVA)
	Risk Groups/Risk Weight	0%	10%	20%	75%	100%	150%	200%	250%		
1	Exposures to sovereigns and their central banks	5.240.714	-	-	-	2.271.938	-	-	-	7.512.652	
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	1.128	-	-	-	1.128	
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	
6	Exposures to banks and securities firms	-	-	732.551	221.885	1.046.942	-	-	-	2.001.378	
7	Exposures to corporates	-	-	576.608	181.851	30.763.902	-	-	-	31.522.361	
8	Retail exposures	-	-	-	-	-	-	-	-	-	
9	Exposures secured by property	-	-	-	1.651.791	-	-	-	-	1.651.791	
10	Past due receivables	-	-	-	3.212	744.337	1.880	-	-	749.429	
11	Exposures in higher-risk categories	-	-	-	294	-	77.360	-	-	77.654	
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	
15	Equity investments	-	-	-	-	591.883	-	-	566.166	1.158.049	
16	Other exposures	26	-	-	-	241.063	-	-	-	241.089	
17	<b>Total</b>	<b>5.240.740</b>	<b>-</b>	<b>1.309.159</b>	<b>2.059.033</b>	<b>-</b>	<b>35.661.193</b>	<b>79.240</b>	<b>-</b>	<b>566.166</b>	<b>44.915.531</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Disclosures on counterparty credit risk (CCR)

##### Qualitative disclosures on CCR

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

##### Analysis of counterparty credit risk exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
<b>Current Period</b>							
1	Standardised Approach (for derivatives)	1.097.020	379.126	-	-	1.476.147	929.897
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	475.250	276.420
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1.206.317</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Disclosures on counterparty credit risk (CCR) (continued)

#### Analysis of counterparty credit risk exposure by approach (continued)

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
<b>Prior Period</b>							
1	Standardised Approach (for derivatives)	884.241	337.692	-	-	1.221.933	728.438
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.807	294.792
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1.023.230</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to risk management (continued)****Disclosures on counterparty credit risk (CCR) (continued)****Credit valuation adjustment (CVA) for capital charge**

	<b>Current Period</b>	<b>Exposure at default post-credit risk mitigation techniques</b>	<b>Risk weighted amount</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	1.476.147	561.676
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>1.476.147</b>	<b>561.676</b>

	<b>Prior Period</b>	<b>Exposure at default post-credit risk mitigation techniques</b>	<b>Risk weighted amount</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	1.221.933	381.732
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>1.221.933</b>	<b>381.732</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Disclosures on counterparty credit risk (CCR) (continued)

#### Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights

Current Period									
Risk weight									
Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure <sup>(1)</sup>
Exposures to sovereigns and their central banks	13.982	-	-	-	-	-	-	-	13.982
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	175	-	-	175
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	312.166	940.793	-	-	-	-	1.252.958
Exposures to corporates	-	-	-	21.937	-	661.238	-	-	683.176
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	1.106	-	-	1.106
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13.982</b>	<b>-</b>	<b>312.166</b>	<b>962.730</b>	<b>-</b>	<b>662.519</b>	<b>-</b>	<b>-</b>	<b>1.951.397</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Disclosures on counterparty credit risk (CCR) (continued)

#### Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights (continued)

Prior Period										
Risk weight										Total credit exposure <sup>(1)</sup>
Risk groups	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	-	-	-	-	-	2.696	-	-	-	2.696
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	4.914	-	-	-	4.914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	546.137	1.023.200	-	7.550	-	-	-	1.576.887
Exposures to corporates	-	-	-	-	-	386.470	-	-	-	386.470
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	773	-	-	-	773
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>546.137</b>	<b>1.023.200</b>	-	<b>402.403</b>	-	-	-	<b>1.971.740</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

#### Disclosures on counterparty credit risk (CCR) (continued)

#### Collaterals used for CCR

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
<b>Current Period</b>						
Cash - domestic currency	-	-	-	-	727.494	-
Cash - foreign currency	-	-	-	-	996.528	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.724.022</b>	-

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
<b>Prior Period</b>						
Cash - domestic currency	-	-	-	-	491.414	-
Cash - foreign currency	-	-	-	-	1.454.070	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.945.484</b>	-

#### Credit derivatives

None (31 December 2019: None).



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default Post - CRM	RWA	Exposure at Default Post - CRM	RWA
<b>Exposure to Qualified Central Counterparties (QCCPs) Total</b>	361.297	7.938	241.784	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	256.567	5.131	148.226	2.964
(i) OTC Derivatives	255.165	5.103	127.470	2.549
(ii) Exchange-traded Derivatives	1.402	28	5.324	106
(iii) Securities financing transactions	-	-	15.432	309
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	28.350	-	22.880	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	76.380	2.807	70.678	2.317
Unfunded default fund contributions	-	-	-	-
<b>Exposures to non- Central Counterparties (QCCPs) Total</b>	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

##### Securitization exposures:

The Parent Bank has no securitization transactions (31 December 2019: None).

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FOUR (Continued)**

#### **INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to risk management (continued)**

###### **Explanations on market risk**

###### **Qualitative information to be disclosed to public concerning market risk**

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully.

Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite.

Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed on a daily basis and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations.

The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to risk management (continued)

##### Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
<b>Outright products</b>		-	-
1	Interest rate risk (general and specific)	257.862	245.825
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1.111.963	331.163
4	Commodity risk	-	-
<b>Options</b>		-	-
5	Simplified approach	-	-
6	Delta-plus method	-	162
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>1.369.825</b>	<b>577.150</b>

##### Explanations on operational risk

##### Information to be disclosed to the public regarding operational risk

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2017	31/12/2018	31/12/2019	Total/Positive BG year number	Ratio(%)	Total
<b>Gross Income</b>	1.028.394	1.512.177	1.541.203	1.360.591	15	204.089
<b>Value at Operational Risk (Total*12,5)</b>						<b>2.551.109</b>
	31/12/2016	31/12/2017	31/12/2018	Total/Positive BG year number	Ratio(%)	Total
<b>Gross Income</b>	758.586	1.028.394	1.512.177	1.099.719	15	164.958
<b>Value at Operational Risk (Total*12,5)</b>						<b>2.061.973</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to risk management (continued)

##### Disclosures on interest rate risk resulting from banking book

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.

Current Period				
	Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
1	TL	+500/(400) basis point	(230.463)/223.105	(2.63%)/2.54%
2	Euro	+200/(200) basis point	81.243/20.836	0.93%/0.24%
3	US Dollar	+200/(200) basis point	(477.883)/178.020	(5.45)%/2.03%
<b>Total (for Negative Shocks)</b>			<b>421.961</b>	<b>4.81%</b>
<b>Total (for Positive Shocks)</b>			<b>(627.103)</b>	<b>(7.15%)</b>

Prior Period				
	Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
1	TL	+500/(400) basis point	(157.080)/144.247	(2.08%)/1.91%
2	Euro	+200/(200) basis point	57.159/(4.926)	0.76%/(0.07%)
3	US Dollar	+200/(200) basis point	(258.991)/276.863	(3.42)%/3.66%
<b>Total (for Negative Shocks)</b>			<b>416.184</b>	<b>5.50%</b>
<b>Total (for Positive Shocks)</b>			<b>(358.912)</b>	<b>(4.74%)</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the assets

##### 1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	17	-	25	-
Balances with the Central Bank of Turkey	2.227	1.021.382	484	803.528
Other	-	-	-	-
<b>Total</b>	<b>2.244</b>	<b>1.021.382</b>	<b>509</b>	<b>803.528</b>

##### 1.b. Information related to the account of the Central Bank of Turkey:

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2.227	10.138	484	7.461
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(2)</sup>	-	1.011.244	-	796.067
<b>Total</b>	<b>2.227</b>	<b>1.021.382</b>	<b>484</b>	<b>803.528</b>

<sup>(1)</sup> Provision for expected credit loss amounting to TL 546 is allocated in "Balances with the Central Bank of Turkey". (31 December 2019 : TL 429)

<sup>(2)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. Due to order published by the CBRT on 2 May 2015, USD as of 5 May 2015 to pay interest on required reserves, reserve options and free accounts started. Interest rate for the required reserves in Turkish Lira is paid since 21 September 2018.

12 percent interest rate is applied to required reserves in Turkish lira, effective from 27 November 2020. Differentiation according to loan growth has been abolished by the Communiqué No. 2020/17 published in the Official Gazette dated 27/11/2020 and numbered 31317.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 1.b. Information related to the account of the Central Bank of Turkey: (continued)

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2020 are presented in table below:

<b>Reserve Rates for Turkish Lira Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower funds	6
Until 1 year maturity (1 year included)	6
1-3 year maturity (3 year included)	3.5
More than 3 year maturity	1

<b>Reserve Rates for Foreign Currency Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower funds	19
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

##### 2. Information on financial assets at fair value through profit and loss:

##### 2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2019: None).

##### 2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2019: None).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 2.c Positive differences table related to derivative financial assets :

	Current Period		Prior Period	
	TL	FC	TL	FC
Held for Trading Financial Derivative Instruments <sup>(1)</sup>				
Forward Transactions	64.966	1.283	44.124	163
Swap Transactions	547.727	455.454	609.108	231.423
Futures Transactions	-	-	-	-
Options	-	4.070	-	9.596
Other	-	-	-	-
<b>Total</b>	<b>612.693</b>	<b>460.807</b>	<b>653.232</b>	<b>241.182</b>

<sup>(1)</sup> Derivative Financial Assets for Hedging Purposes amounting to TL 262.669 are presented in the "Derivative Financial Assets" account (31 December 2019: TL 67.884).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 145 million as of 31 December 2020 is TL 426.221 and the average maturities are between 2021 and 2023.

##### 2.d Loans at Fair Value Through Profit or Loss:

Net Book Value	Current Period	Prior Period
Loans at Fair Value Through Profit or Loss	263.097	263.097

As explained in Section 5 Note I.16, it includes the loan extended to the special purpose company . The related loan is monitored as loans whose fair value through profit or loss within the scope of TFRS 9.

As of 31 December 2020, the Bank re-evaluated the fair value of the loan taking into account current market conditions and macroeconomic indicators and as of the year end the fair value of the financial asset did not change.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 3. Information on banks and foreign banks account

##### 3.a Information on banks:

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	55.795	2.277	288	18.355
Foreign	-	167.075	-	59.489
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>55.795</b>	<b>169.352</b>	<b>288</b>	<b>77.844</b>

<sup>(1)</sup> Provision for expected credit loss amounting to TL 29 is allocated in "Banks" (31 Decemeber 2019 : TL 34).

##### 3.b Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	30.517	1.779	-	-
USA and Canada	79.663	50.431	-	-
OECD Countries <sup>(1)</sup>	2.278	7.279	-	-
Off-shore banking regions	-	-	-	-
Other	54.617	-	-	-
<b>Total</b>	<b>167.075</b>	<b>59.489</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries other than European Union countries, USA and Canada.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 4. Information on financial assets at fair value through other comprehensive income

##### 4.a.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	384.612	-	287.144	542.673
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>384.612</b>	<b>-</b>	<b>287.144</b>	<b>542.673</b>

##### 4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:

As of 31 December 2020, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.906.650.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	814.409	1.092.241	749.163	1.078.533
Other	-	-	-	-
<b>Total</b>	<b>814.409</b>	<b>1.092.241</b>	<b>749.163</b>	<b>1.078.533</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 4. Information on financial assets at fair value through other comprehensive income (continued)

##### 4.b Major types of financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprised of government bonds 36,83%, Eurobonds 56,92% and shares and other securities 6,25% (31 December 2019 : Government bonds 48,6%, Eurobonds 46,16%, shares and other securities 5,78%).

##### 4.c Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	4.479.369	4.107.611
Quoted on a stock exchange	1.859.757	2.155.330
Unquoted	2.619.612	1.952.281
Share certificates	151.626	104.490
Quoted on a stock exchange	45.011	30.556
Unquoted	106.615	73.934
Impairment provision(-)	31.730	47.938
Other	3.587	-
<b>Total</b>	<b>4.602.852</b>	<b>4.164.163</b>

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 94.202 (31 December 2019 : TL 59.007).

##### 5. Explanation on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	294.689	-	251.238	-
Corporate shareholders	294.689	-	251.238	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	917	-	740	-
<b>Total</b>	<b>295.606</b>	<b>-</b>	<b>251.978</b>	<b>-</b>

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

##### 5.b.1 Loans measured at Fair Value through Profit/Loss

Current Period	Current Period	Prior Period
	Net Book Value	Net Book Value
Loans Measured at Fair Value through Profit/Loss <sup>(*)</sup>	263.097	263.097

<sup>(\*)</sup>Include the loan granted to the special purpose entity as detailed in Section Five Note 16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

##### 5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans:

Current Period <sup>(1)</sup>	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Amendments on Conditions of Contract Refinance
Non-specialized loans	32.985.589	513.781	2.872.574	857.773
Working Capital loans	4.821.651	291.707	939.890	857.773
Export loans	695.026	-	99.724	-
Import loans	-	-	-	-
Loans given to financial sector	5.315.675	-	-	-
Consumer loans	917	-	-	-
Credit cards	-	-	-	-
Other	22.152.320	222.074	1.832.960	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>32.985.589</b>	<b>513.781</b>	<b>2.872.574</b>	<b>857.773</b>

<sup>(1)</sup> According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 887.975 shown under "Other", due to the nature of "Investment" shown under the category "other" in the above footnote.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

##### 5.b.2 Information on Standard Qualified and Close Monitoring loans and restructured Close Monitoring loans (continued):

	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Amendments on Conditions of Contract Refinance
<b>Prior Period <sup>(1)</sup></b>				
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.100.440	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.575.650	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>26.862.157</b>	<b>803.006</b>	<b>1.696.477</b>	<b>830.780</b>

<sup>(1)</sup>According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.660.356 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "Other" in the above footnote.

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	421.695	-	172.668	-
Significant Increase in Credit Risk	-	575.834	-	350.807

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanation on loans (continued)****5.c Loans according to their maturity structure:**

<b>Current Period <sup>(*)</sup></b>	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>	
		<b>Nonrestructured</b>	<b>Restructured</b>
Short-term loans	3.995.403	102.680	99.724
Non-specialized loans	3.995.403	102.680	99.724
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	28.990.186	411.101	3.630.623
Non-specialized loans	28.990.186	411.101	3.630.623
Specialized loans	-	-	-
Other receivables	-	-	-
<b>Prior Period <sup>(*)</sup></b>	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>	
		<b>Nonrestructured</b>	<b>Restructured</b>
Short-term loans	3.688.889	69.185	78.028
Non-specialized loans	3.688.889	69.185	78.028
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	23.173.268	733.821	2.449.229
Non-specialized loans	23.173.268	733.821	2.449.229
Specialized loans	-	-	-
Other receivables	-	-	-

(\*)It does not include loans measured at fair value through profit/loss.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	86	831	917
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	86	831	917
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>86</b>	<b>831</b>	<b>917</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL		-	-
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans		-	-
Other		-	-
Consumer Loans -Indexed to FC		-	-
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans		-	-
Other		-	-
Consumer Loans-FC		-	-
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans		-	-
Other		-	-
Individual Credit Cards-TL		-	-
With Installments		-	-
Without Installments		-	-
Individual Credit Cards-FC		-	-
With Installments		-	-
Without Installments		-	-
Personnel Loans-TL	76	664	740
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans	76	664	740
Other		-	-
Personnel Loans- Indexed to FC		-	-
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans		-	-
Other		-	-
Personnel Loans-FC		-	-
Real Estate Loans		-	-
Vehicle Loans		-	-
General Purpose Loans		-	-
Other		-	-
Personnel Credit Cards-TL		-	-
With Installments		-	-
Without Installments		-	-
Personnel Credit Cards-FC		-	-
With Installments		-	-
Without Installments		-	-
Overdraft Accounts-TL (Real Persons)		-	-
Overdraft Accounts-FC (Real Persons)		-	-
<b>Total</b>	<b>76</b>	<b>664</b>	<b>740</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.e Information on commercial loans with instalments and corporate credit cards:

The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2019: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	777.998	942.805
Private	36.451.719	29.249.615
<b>Total</b>	<b>37.229.717</b>	<b>30.192.420</b>

<sup>(\*)</sup>Includes fair value through profit or loss loans.

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	37.096.778	30.080.280
Foreign loans	132.939	112.140
<b>Total</b>	<b>37.229.717</b>	<b>30.192.420</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	729.154	545.560
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>729.154</b>	<b>545.560</b>



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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanation on loans (continued)****5.i Specific provisions provided against loans or default (Stage 3) provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	401.917	184.323
Loans and receivables with doubtful collectability	275.856	120.078
Uncollectible loans and receivables	73.736	49.044
<b>Total</b>	<b>751.509</b>	<b>353.445</b>

**5.j Information on non-performing loans (net):****5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	<b>III. Group Loans With Limited Collectability</b>	<b>IV. Group Loans With Doubtful Collectability</b>	<b>V. Group Uncollectible Loans</b>
<b>Current Period</b>			
Gross amounts before provisions	126.864	767.987	35.653
Restructured loans	126.864	767.987	35.653
<b>Prior Period</b>			
Gross amounts before provisions	-	592.614	37.567
Restructured loans	-	592.614	37.567

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanation on loans (continued)****5.j Information on non-performing loans (net) (continued)****5.j.2 Movement of non-performing loans:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period</b>			
<b>Prior period end balance</b>	<b>457.905</b>	<b>594.045</b>	<b>50.924</b>
Additions (+)	412.925	28.236	11
Transfers from other categories of non-performing loans (+)	-	104.973	29.569
Transfers to other categories of non-performing loans (-)	104.973	29.569	-
Collections (-)	239	31.229	1.535
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	(4.336)	177.570	666
<b>Current period end balance</b>	<b>761.282</b>	<b>844.026</b>	<b>79.635</b>
Provision (-)	401.917	275.856	73.736
<b>Net Balances on Balance Sheet</b>	<b>359.365</b>	<b>568.170</b>	<b>5.899</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanation on loans (continued)****5.j Information on non-performing loans (net) (continued)****5.j.2 Movement of non-performing loans: (continued)**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Prior Period</b>			
<b>Prior period end balance</b>	<b>22.719</b>	<b>522.165</b>	<b>47.490</b>
Additions (+)	459.570	46.845	9.397
Transfers from other categories of non-performing loans (+)	-	22.779	8.215
Transfers to other categories of non-performing loans (-)	22.779	8.215	-
Collections (-)	1.640	68.616	14.261
Write-offs (-) <sup>(1)</sup>	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
<b>Current period end balance</b>	<b>457.905</b>	<b>594.045</b>	<b>50.924</b>
Provision (-)	184.323	120.078	49.044
<b>Net Balances on Balance Sheet</b>	<b>273.582</b>	<b>473.967</b>	<b>1.880</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.j Information on non-performing loans (net) (continued)

##### 5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
Period End Balance	115.594	780.355	34.030
Provision (-)	58.505	244.959	32.316
<b>Net Balance on Balance Sheet</b>	<b>57.089</b>	<b>535.396</b>	<b>1.714</b>
<b>Prior Period</b>			
Period End Balance	10.306	592.614	34.215
Provision (-)	3.223	118.878	32.335
<b>Net Balance on Balance Sheet</b>	<b>7.083</b>	<b>473.736</b>	<b>1.880</b>

##### 5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	761.282	844.026	79.635
Provision Amount (-)	401.917	275.856	73.736
Loans to Real Persons and Legal Entities (Net)	359.365	568.170	5.899
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanation on loans (continued)****5.j Information on non-performing loans (net) (continued)****5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups: (continued)**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables With Limited Collectability</b>	<b>Loans and Other Receivables With Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	457.905	594.045	50.924
Provision Amount (-)	184.323	120.078	49.044
Loans to Real Persons and Legal Entities (Net)	273.582	473.967	1.880
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanation on loans (continued)

##### 5.j Information on non-performing loans (net) (continued)

##### 5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>	<b>(877)</b>	<b>120.999</b>	<b>599</b>
Interest Accruals and Rediscount with Valuation Differences	(4.336)	177.570	666
Provision amount (-)	(3.459)	56.571	67
<b>Prior Period (Net)</b>	<b>7</b>	<b>62.652</b>	<b>75</b>
Interest Accruals and Rediscount with Valuation Differences	7.728	90.769	83
Provision amount (-)	7.721	28.117	8

##### 5.k Main principles of liquidating non-performing loans and receivables:

In case of existence of the collateral elements stated in Article 13 of the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables to be set aside for these, these elements are liquidated as soon as possible as a result of both administrative and legal initiatives and liquidation of the receivables is ensured.

In the absence of collateral, the debtor is provided with an insolvency certificate, but in various periods, intense intelligence is made and the legal asset is applied to determine the acquired assets.

Legal procedures followed before and after; on the financial information of the company when the creditor deemed able to live in the investigation that will be made by the Bank and if it contributed to the economy in relation to firms that dominate considers that contributed to the production, efforts are made to the liquidation of receivables agreement.

##### 5.l Explanations about the write-off policies from the assets:

If there is no collateral against loans or uncollectible, and receivables amount of tax payable for legal proceedings to be held, duties, fees and costs compared to smaller loans written off receivables concerned with the demand and the General Directorate of the approval of the Monitoring Department.

However, if the part can not be collected to take after performing all kinds of legal proceedings if there is a guarantee in return will go pledge open the document and the way deletion of assets in the remaining amount by receiving debt forgiveness is followed.

Within the scope of the "Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions for These" published in the Official Gazette dated 27 November 2019 and numbered 30961, loans classified as "Fifth Group-Uncollectible Loans", for which there is no reasonable expectation of recovery, can be excluded from the balance sheet.

The Bank has no written off loans as of 31 December 2020.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 6. Information on financial assets measured at amortized cost

##### 6.a The information was subjected to repurchase agreement and given as collateral/blocked amount of investments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	828.156	32.812	737.176	26.554
Subject to Repurchase Agreements	603.584	-	330.755	100.588
<b>Total</b>	<b>1.431.740</b>	<b>32.812</b>	<b>1.067.931</b>	<b>127.142</b>

##### 6.b Information on government debt measured at amortized cost:

	Current Period	Prior Period
Government Bonds	3.083.059	2.585.160
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>3.083.059</b>	<b>2.585.160</b>

##### 6.c Information on financial investments measured at amortized cost:

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	2.719.902	2.285.894
Not Quoted	363.157	299.266
Impairment provision (-)	-	-
<b>Total</b>	<b>3.083.059</b>	<b>2.585.160</b>

##### 6.d Movement of financial assets at amortized costs within the year :

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>2.585.160</b>	<b>2.154.941</b>
Foreign Currency Differences on Monetary Assets	64.029	58.982
Purchases During The Period	149.670	433.812
Disposals Through Sales And Redemptions	1.577	195.251
Impairment Provision (-)	-	-
Interest Income Accruals	285.777	132.676
<b>Balance at End of Period</b>	<b>3.083.059</b>	<b>2.585.160</b>

Expected credit loss amounting to TL 3.195 is allocated in "Financial asset measured at amortized cost" (31 December 2019: TL 3.360).

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 7. Information on associates (net)

##### 7.a Information on associates:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,23
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,52
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	4.646.794	478.204	3.004	337.177	-	56.926	(23.452)	104.009
2	İş Finansal	12.762.218	1.719.238	22.844	884.338	-	198.772	84.106	798.024
3	İş Girişim	267.841	263.814	1.412	4.024	3	2.050	1.736	237.519
4	Terme <sup>(1)</sup>	27.745	5.172	1.548	-	-	(43)	(35)	-
5	Ege Tarım	17.740	16.667	8.073	-	-	2.504	2.459	2.123

<sup>(1)</sup> The information is obtained from financial statements as of 30 September 2020. The information of prior year profit/loss is obtained from 30 September 2019 financial statements.

##### 7.b Movements of associates subject to unconsolidation <sup>(2)</sup>:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>464.919</b>	<b>428.490</b>
Movements During the Period	158.850	36.429
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/decrease <sup>(1)</sup>	158.850	36.429
Provision for Impairment (-)	-	-
<b>Balance at the End of the Period</b>	<b>623.769</b>	<b>464.919</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup> Accounting with equity method comprises differences.

<sup>(2)</sup> Non-financial subsidiaries amounting to TL 2.124 are not included in the table (31 December 2019: TL 1.976).



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 7. Information on associates (net) (continued)

###### *Information on associates sold in the current period*

In the current period the Bank has not disposed any associates.

###### *Information on associates purchased in the current period*

In current period the Bank has not purchased any associates.

##### 7.c Sectoral information of associates subject to unconsolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	104.009	65.335
Leasing Companies	475.792	355.955
Financial Service Companies	-	-
Other Financial Associates	43.968	43.629

##### 7.d Information on associates subject to consolidation quoted on stock market:

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	519.761	399.584
Associates quoted on foreign stock exchanges	-	-

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net)

##### 8.a Information related to equity component of subsidiaries:

Current Period <sup>(1)</sup>	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	500.000
Share Premium	-	864
Legal Reserves	4.724	8.726
Other Comprehensive Income according to TAS	37.982	-
Current and Prior Years' Profit/Loss	70.935	(44.950)
Leasehold Improvements (-)	459	-
Intangible Assets (-)	723	28
<b>Total Core Capital</b>	<b>175.959</b>	<b>464.612</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>175.959</b>	<b>464.612</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2020.

Prior Period <sup>(1)</sup>	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	300.000
Share Premium	-	593
Legal Reserves	3.681	8.683
Other Comprehensive Income according to TAS	19.994	-
Current and Prior Years' Profit/Loss	30.802	1.568
Leasehold Improvements (-)	404	-
Intangible Assets (-)	1.013	18
<b>Total Core Capital</b>	<b>116.560</b>	<b>310.826</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>116.560</b>	<b>310.826</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2019.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.a Information related to equity component of subsidiaries (continued):

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article 519 of the Turkish Commercial Code numbered 6102. The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.

##### 8.b As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of consolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not a financial subsidiaries. Unconsolidated subsidiaries of the Bank are not subject to minimum capital requirement.

##### 8.c Information on subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul/Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,13	89,95
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,17	99,85

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.c Information on subsidiaries (continued):

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD <sup>(2)</sup>	27.698	23.719	1.410	1.559	-	5.437	3.901	23.719
2	YF <sup>(1)</sup>	1.083.746	177.141	12.589	70.845	1.638	44.352	16.575	169.668
3	TSKB GYO <sup>(1)</sup>	603.049	464.639	274	493	-	(45.781)	46.186	2.416.263
4	TSKB SD	2.352	2.080	104	374	-	(846)	92	1.313

<sup>(1)</sup> The financial data of the consolidated subsidiaries are prepared in accordance with BRSB regulations.

<sup>(2)</sup> The information is obtained from financial statements subject to consolidation as of 30 November 2020. Prior period income/loss is obtained from financial statements as of 30 November 2019.

##### 8.d Movement schedule for subsidiaries subject to consolidation: <sup>(2)</sup>

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>378.504</b>	<b>323.690</b>
Movements in the period	203.393	54.814
Purchases <sup>(3)</sup>	185.542	-
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase/decrease <sup>(1)</sup>	17.851	54.814
Provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>581.897</b>	<b>378.504</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Accounting with equity method comprises differences.

<sup>(2)</sup> Non-financial subsidiaries amounting to TL 25.031 are not included in the table (31 December 2019: TL 21.368).

<sup>(3)</sup> At the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded on the stock exchange up to a nominal share of amounting to TL 10 million in the next year. The shares purchased within the scope of this program have been classified under the "Financial Assets at Fair Value through Profit and Loss". The shares which purchased transaction has been completed, were classified from the "Financial Assets at Fair Value through Profit Loss" to the "Subsidiaries" account in February 2020.

After the capital increase by TSKB GYO amounting to Full TL 200.000.000, the Bank acquired TSKB GYO shares in the amounting to TL 178.403.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.d Movement schedule for subsidiaries (continued):

##### *Subsidiaries disposed in the current period*

In the current period, the Bank has not disposed any subsidiaries.

##### *Subsidiaries purchased in the current period*

In the Board of Directors meeting of the Bank held on 23 July 2020, The Bank has decided to participate in the capital increase amounting to TL 200.000.000 (full amount) planned by TSKB GYO at the rate of its share in TSKB GYO because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company. After this capital increase, the Bank acquired TSKB GYO shares in the amounting to TL 178.403.

At the Board of Directors meeting held on 26 February 2020, The Bank decided to authorize the General directorate that purchase of TSKB GYO A.Ş. from the shares traded on the stock exchange up to a nominal amount of TL 12,5 Million within a year without any commitment, and classification of existing and new shares to be purchased, when necessary. Shares purchased under this program are classified under the "Financial Assets at Fair Value through Profit and Loss".

##### 8.e Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	581.897	378.504

##### 8.f Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	412.229	265.505
Subsidiaries quoted on foreign stock exchanges	-	-

##### 9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2019: None).

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 10. Information on finance lease receivables (net)

##### 10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	26.059	23.546	36.531	34.243
Between 1- 4 years	102.489	92.826	93.678	85.056
More than 4 years	103.933	89.354	10.759	9.575
<b>Total</b>	<b>232.481</b>	<b>205.726</b>	<b>140.968</b>	<b>128.874</b>

Expected credit loss amounting to TL 22.825 (31 December 2019: TL 22.564) is allocated in "Lease Receivables".

##### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>232.481</b>	<b>140.968</b>
Unearned revenue from finance leases (-)	26.755	12.094
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>205.726</b>	<b>128.874</b>

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of Financial Leasing, Factoring and Financing Company Law No 6361. There are no restructuring or restrictions; which have material effect on financial statements.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 11. Explanation on derivative financial assets held for hedging purposes

##### 11.a Positive differences on derivative financial instruments held for hedging purposes:

Positive difference on regarding derivative financial instruments for hedging purposes is amounting to TL 262.699 (31 December 2019 : TL 67.884)

As of 31 December 2020, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	15.214.012	262.699	-	16.520.430	67.884	(16.545)
FC	15.214.012	262.699	--	16.520.430	67.884	(16.545)
TL	-	-	-	-	-	-
Swap Currency Transactions	4.626.754	-	(154.049)	-	-	-
FC	4.626.754	-	(154.049)	-	-	-
TL	-	-	-	-	-	-

##### 11.a.1 Information on fair value hedge accounting

Current Period	Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
					Assets	Liabilities	
	Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	(184.285)	181.026	-	(3.259)
	Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(41.043)	40.450	-	(593)
	Cross Currency Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(54.959)	54.947	-	(11)

<sup>(1)</sup> The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****11. Explanation on derivative financial assets held for hedging purposes (continued)****11.a Positive differences on derivative financial instruments held for hedging purposes (continued)**

Prior Period	Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
					Assets	Liabilities	
					Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(5.481)	4.597	-	(884)	

<sup>(1)</sup> The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 12. Explanations on tangible assets

The property is located within the Bank's tangible assets are accounted for by the scope of TAS 16 valuation. For the year 2020, appraisal companies authorized by the CMB and BRSA have been appraised, and the value increases based on the appraisal results have been accounted for in the relevant accounts.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	52.290	-	-	10.481	62.771
Assets held under finance leases	-	-	-	-	-
Vehicles	1.750	-	-	-	1.750
Right to use Securities-Real Estate	40.824	2.037	-	-	42.861
Assets held for resale	-	-	-	-	-
Other	27.075	1.532	(271)	-	28.336
<b>Total Cost</b>	<b>121.939</b>	<b>3.569</b>	<b>(271)</b>	<b>10.481</b>	<b>135.718</b>
Accumulated depreciation					
Land and buildings	(260)	(179)	-	-	(439)
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	(185)	(323)	-	-	(508)
Vehicles	(10.253)	(11.901)	-	-	(22.154)
Assets held for resale	-	-	-	-	-
Other	(20.017)	(3.128)	248	-	(22.897)
<b>Total accumulated depreciation</b>	<b>(30.715)</b>	<b>(15.531)</b>	<b>248</b>	<b>-</b>	<b>(45.998)</b>
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>91.224</b>	<b>(11.962)</b>	<b>(23)</b>	<b>10.481</b>	<b>89.720</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 12. Explanations on tangible assets (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
Cost						
Land and buildings	52.249	41	-	-	-	52.290
Assets held under finance leases	2.330	-	(2.330)	-	-	-
Vehicles	672	1.615	(537)	-	-	1.750
Right to use Securities-Real Estate	-	40.824	-	-	-	40.824
Assets held for resale	-	-	-	-	-	-
Other	25.101	4.710	(2.736)	-	-	27.075
<b>Total Cost</b>	<b>80.352</b>	<b>47.190</b>	<b>(5.603)</b>	<b>-</b>	<b>-</b>	<b>121.939</b>
Accumulated depreciation						
Land and buildings	(24)	(236)	-	-	-	(260)
Assets held under finance leases	(2.221)	-	208	-	2.013	-
Vehicles	(632)	(90)	537	-	-	(185)
Right to use Securities-Real Estate	-	(10.253)	-	-	-	(10.253)
Assets held for resale	-	-	-	-	-	-
Other	(16.829)	(3.781)	2.606	-	(2.013)	(20.017)
<b>Total accumulated depreciation</b>	<b>(19.706)</b>	<b>(14.360)</b>	<b>3.351</b>	<b>-</b>	<b>-</b>	<b>(30.715)</b>
Impairment provision						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>60.646</b>	<b>32.830</b>	<b>(2.252)</b>	<b>-</b>	<b>-</b>	<b>91.224</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 13 . Explanations on intangible assets

##### 13.a Useful life or amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

##### 13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

##### 13.c Cost and accumulated amortization at the beginning and end of the period:

	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Current Period</b>				
Software	7.960	(4.931)	9.756	(6.452)
	Beginning of Prior Period		End of Prior Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Prior Period</b>				
Software	6.607	(3.482)	7.960	(4.931)

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	7.961	2.334	(539)	9.756
<b>Total Cost</b>	<b>7.961</b>	<b>2.334</b>	<b>(539)</b>	<b>9.756</b>
Accumulated amortization:				
Software	(4.931)	(2.060)	539	(6.452)
<b>Total Accumulated Amortization</b>	<b>(4.931)</b>	<b>(2.060)</b>	<b>539</b>	<b>(6.452)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>3.030</b>	<b>274</b>	<b>-</b>	<b>3.304</b>

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	6.607	1.540	(187)	7.960
<b>Total Cost</b>	<b>6.607</b>	<b>1.540</b>	<b>(187)</b>	<b>7.960</b>
Accumulated amortization:				
Software	(3.482)	(1.636)	187	(4.931)
<b>Total Accumulated Amortization</b>	<b>(3.482)</b>	<b>(1.636)</b>	<b>187</b>	<b>(4.931)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>3.125</b>	<b>(96)</b>	<b>-</b>	<b>3.029</b>

##### 13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (31 December 2019: None).

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **I. Explanations and disclosures related to the assets (continued)**

##### **13 . Explanations on intangible assets (continued)**

##### **13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:**

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 2019: None).

##### **13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:**

As at the reporting date, the Bank has no intangible assets acquired with government incentives (31 December 2019: None).

##### **13.h The book value of intangible assets that are pledged or restricted for use:**

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2019: None).

##### **13.i Amount of purchase commitments for intangible assets:**

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2019: None).

##### **13.j Information on revalued intangible assets according to their types:**

The Bank did not revalue its intangible assets as at the reporting date (31 December 2019: None).

##### **13.k Amount of total research and development expenses recorded in income statement within the period, if any:**

The Bank has no research and development costs expensed in the current period (31 December 2019: None).

##### **13.l Information on goodwill:**

As at the reporting date, the Bank has no goodwill (31 December 2019: None).

##### **13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2019: None).

##### **13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2019: None).

##### **14. Information on investment property**

The Bank has no investment property (31 December 2019: None).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 15. Information on deferred tax assets

##### 15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Deferred tax asset:</b>	<b>Current Period</b>	<b>Prior Period</b>
Loan commissions accrual adjustment	22.687	22.138
Other provisions	234.627	129.195
Employee benefit provision	3.419	3.239
Marketable securities	28.888	2.028
Other <sup>(1)</sup>	10.118	7.555
<b>Total Deferred Tax Asset</b>	<b>299.739</b>	<b>164.155</b>
<b>Deferred tax liability:</b>		
Valuation of derivative instruments	(101.328)	(104.308)
Loan commissions accrual adjustment	(16.122)	(14.744)
Useful life difference of fixed assets	(561)	(772)
Other	(6.307)	(5.803)
<b>Total Deferred Tax Liability</b>	<b>(124.318)</b>	<b>(125.627)</b>
<b>Net Deferred Tax Asset</b>	<b>175.421</b>	<b>38.528</b>

<sup>(1)</sup> Other item also includes deferred assets for hedge accounting amounting to TL 8.209.

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset/(Liability) - Net	38.528	3.535
Deferred Tax (Loss)/Gain	148.763	88.411
Deferred Tax that is Realized Under Shareholder's Equity	(11.870)	(53.418)
<b>Deferred Tax Asset/(Liability) Net</b>	<b>175.421</b>	<b>38.528</b>

##### 15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2019: None).

##### 15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2019: None).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 16. Explanation on assets held for sale

	Current Period	Prior Period
<b>Net book value at beginning of period</b>	64.403	1
Cash Paid for Purchase	-	64.402
Expected Loss (-)	-	-
<b>Net book value at end of period</b>	<b>64.403</b>	<b>64.403</b>

Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1,6172% stake and amounting to TL 64.403. The Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2019: TL 64.403).

##### 17. Information about other assets

##### 17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2019: None).

##### II. Explanations and disclosures related to the liabilities

##### 1. Information of maturity structure of deposits

##### 1.a Maturity structure of deposits:

The Bank is not authorized to accept deposits.

##### 1.b Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Bank is not authorized to accept deposits.

##### 1.c Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:

The Bank is not authorized to accept deposits.

##### 1.d Saving deposits which are not under the guarantee of deposit insurance fund:

The Bank is not authorized to accept deposits.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 2. Negative differences table related to derivative financial liabilities

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	63.711	1.253	41.025	142
Swap Transactions	262.653	389.244	235.908	181.127
Futures Transactions	-	-	-	-
Options	-	4.070	-	9.596
Other	-	-	-	-
<b>Total</b>	<b>326.364</b>	<b>394.567</b>	<b>276.933</b>	<b>190.865</b>

(1) Financial Liabilities for Hedging Purposes amounting to TL 154.049 (31 December 2019: TL 16.545) are shown in "Derivative Financial Liabilities".

##### 3. Information on banks and other financial institutions

###### 3.a General Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	29.000	241.726	493.500	412.684
From Foreign Banks, Institutions and Funds	90.985	31.935.252	122.030	25.318.717
<b>Total</b>	<b>119.985</b>	<b>32.176.978</b>	<b>615.530</b>	<b>25.731.401</b>

###### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	29.000	200.816	-	132.621
Medium and long-term	90.985	31.976.162	615.530	25.598.780
<b>Total</b>	<b>119.985</b>	<b>32.176.978</b>	<b>615.530</b>	<b>25.731.401</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the liabilities (continued)

##### 3. Information on banks and other financial institutions (continued)

##### 3.c Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	7.701.750	-	5.916.000
Cost	-	7.657.597	-	5.884.485
Book Value	-	8.021.275	-	6.023.450

The Bank issued selling of Greenbond in abroad with nominal value of full USD 300 Million, 5 years maturity and for financing the green and sustainable projects. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%.

As of 16 January 2018, the Bank issued the debt instrument which have nominal value of full USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

As of 23 January 2020, the Bank issued Eurobond with the nominal amount of full USD 400 Million. Interest rate of these debt instruments determined as 6% which have the redemption date of 23 January 2025 with fixed interest rate, 5 years maturity and semiannual coupon payment.

##### 3.d Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Funds From Repurchase Agreements Transactions <sup>(1)</sup></b>				
From Domestic Transactions	636.503	323.705	369.379	216.152
Financial institutions and organizations	608.519	-	320.343	-
Other institutions and organizations	27.241	318.268	48.417	211.791
Real persons	743	5.437	619	4.361
From Foreign Transactions	6	-	5	446.020
Financial institutions and organizations	-	-	-	446.020
Other institutions and organizations	2	-	2	-
Real persons	4	-	3	-
<b>Total</b>	<b>636.509</b>	<b>323.705</b>	<b>369.384</b>	<b>662.172</b>

<sup>(1)</sup> The detail about Interbank Money Market Borrowings amounting to TL 85.027 is not included in this table (31 December 2019: None)

##### 4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2019: None).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the liabilities (continued)

##### 5. Informations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2019: None).

##### 5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 10 cars and 314 computers are subject to operational leasing. (31 December 2019: 2 head office buildings, 1 branch, 11 cars and 177 computers under operational leasing). In the current period, the Bank has TL 26.425 liabilities within the scope of TFRS 16 regarding operating lease transactions.

##### 5.c Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:

The Bank has no sale and lease back transactions as of the reporting date (31 December 2019: None).

##### 6. Negative differences on derivative financial instruments held for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	-	154.049	-	16.545
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
<b>Total</b>	-	<b>154.049</b>	-	<b>16.545</b>

<sup>(1)</sup> Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities" account.

##### 7. Explanations on provisions

##### 7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

The Bank has no foreign exchange losses on the foreign currency indexed loans. (31 December 2019: None).

##### 7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:

The Bank's specific provisions provided for unindemnified non cash loans third stage expected loss provisions amounts to TL 1.220 (31 December 2019: TL 838). The Bank has TL 31.962 of non-cash loans for the expected loss provision. (31 December 2019: TL 23.857)

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **II. Explanations and disclosures related to the liabilities (continued)**

##### **7. Explanations on provisions (continued)**

##### **7.c Information on other provisions:**

##### **7.c.1 Provision for possible losses:**

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (31 December 2019: TL 220.000).

##### **7.c.2 Information on employee termination benefits and unused vacation accrual**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2020, employee termination benefits is amounting TL 13.406 reflected in financial statements (31 December 2019: TL 11.864). As of 31 December 2020, the Bank has provided a reserve for unused vacation amounting to TL 3.690 (31 December 2019: TL 2.860). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains amount of TL 3.469 are consisted after 1 January 2020, are recognised under equity in accordance with revised TAS 19 standard (31 December 2019: TL 940 actuarial loss).

##### ***Liabilities on pension rights***

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2020, the Bank has no obligations on pension rights (31 December 2019: None).

##### ***Liabilities for pension funds established in accordance with Social Security Institution***

None (31 December 2019: None).

##### ***Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees***

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.

Accordingly, as of 31 December 2020 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Section 3 Note XVI, the accounting policies related with employee benefits.

##### **7.c.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:**

None

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the liabilities (continued)

#### 8. Explanations on taxes payable

##### 8.a Explanations on current taxes payable:

##### 8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Corporate Taxes and Deferred Taxes</b>				
Corporate tax payable	135.147	-	67.604	-
Deferred tax liability	-	-	-	-
<b>Total</b>	<b>135.147</b>	<b>-</b>	<b>67.604</b>	<b>-</b>

##### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	135.147	67.604
Taxation of securities	1.557	337
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	8.201	6.865
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	581	430
Other	2.344	2.054
<b>Total</b>	<b>147.830</b>	<b>77.290</b>

##### 8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	54	45
Unemployment insurance-Employer	107	90
Other	-	-
<b>Total</b>	<b>161</b>	<b>135</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the liabilities (continued)

##### 8. Explanations on taxes payable (continued)

##### 8.b Information on deferred taxes liabilities:

As at the reporting date, the Bank has no deferred tax liability (31 December 2019: None).

##### 9. Explanations on liabilities regarding assets held for sale

None (31 December 2019: None).

##### 10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

As of 28 March 2017, the Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 2.299.503.

Debt Instruments Subject to Common Equity	Current Period		Prior Period	
	TL	FC	TL	FC
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	2.299.503	-	1.830.045
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	2.299.503	-	1.830.045
<b>Total</b>	-	<b>2.299.503</b>	-	<b>1.830.045</b>

##### 11. Explanations on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the liabilities (continued)

##### 11. Explanations on shareholders' equity (continued)

##### 11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	4.500.000

##### 11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In line with the decision taken at the Ordinary General Assembly held on 26 March 2020, the Bank does not have any capital increase during the current period. In accordance with the resolution of the General Assembly, it was decided to transfer 2019 profit to the reserves.

In line with the decision taken at the Ordinary General Assembly held on 28 March 2019, the Bank does not have any capital increase during the current period. In accordance with the resolution of the General Assembly, it was decided to transfer 2018 profit to the reserves.

##### 11.d Information on share capital increases from capital reserves:

None (31 December 2019: None).

##### 11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

##### 11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, profitability and liquidity of the Bank and their trends in the successive periods are followed by Budget Planning Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses.

The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

##### 11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2019: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the liabilities (continued)****11. Explanations on shareholders' equity (continued)****11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	<b>147.014</b>	-	<b>42.262</b>	-
<b>Available for Sale Financial Assets</b>	<b>26.535</b>	<b>123.093</b>	<b>67.613</b>	<b>(3.357)</b>
Valuation Differences	(13.317)	123.093	46.899	(3.357)
Foreign Exchange Difference	39.852	-	20.714	-
<b>Total</b>	<b>173.549</b>	<b>123.093</b>	<b>109.875</b>	<b>(3.357)</b>

**11.i Informations on legal reserves:**

	Current Period	Prior Period
First legal reserve	338.153	303.070
Second legal reserve	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>338.153</b>	<b>303.070</b>

**11.j Informations on extraordinary reserves:**

	Current Period	Prior Period
Reserves appropriated by the General Assembly	1.805.526	1.062.711
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
<b>Total</b>	<b>1.805.526</b>	<b>1.062.711</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and disclosures related to the off-balance sheet items

##### 1. Explanation on off-balance sheet liabilities

##### 1.a Types and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	100.091	21.404
Commitments for Stock Brokerage Purchase and Sales	71.665	5.638
Commitments for Letter of Credit	43.380	94.264
Capital commitments for subsidiaries and associates <sup>(1)</sup>	127.172	96.782
Other	336.108	222.589
<b>Total</b>	<b>678.416</b>	<b>440.677</b>

<sup>(1)</sup> The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment and capital participation commitment regarding the cash capital increase of TSKB Sürdürülebilirlik A.Ş.

##### 1.b Possible losses and commitments related to off-balance sheet items including items listed below:

##### 1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credit, surety and acceptances amount to TL 2.852.676 (31 December 2019: TL 2.728.688).

##### 1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee given by the Bank is TL 2.086.164 (31 December 2019: TL 1.819.030).

##### 1.c Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	1.322.994	1.816.074
With maturity of one year or less than one year	175.971	189.405
With maturity of more than one year	1.147.023	1.626.669
Other non-cash loans	3.615.846	2.731.644
<b>Total</b>	<b>4.938.840</b>	<b>4.547.718</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and disclosures related to the off-balance sheet items (continued)

##### 1. Explanation on off-balance sheet liabilities

##### 1.d Information on sectoral risk concentration of non cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	352.591	99	4.254.936	92	446.093	99	3.875.939	94
Mining	-	-	-	-	-	-	29.417	1
Manufacturing Industry	128.238	36	2.777.836	60	224.957	50	2.312.722	56
Electricity, Gas, Water	224.353	63	1.477.100	32	221.136	49	1.533.800	37
Construction	1.900	1	28.167	1	3.013	1	27.637	1
Services	1.568	-	299.678	7	1.630	-	193.406	5
Wholesale and Retail Trade	-	-	162	-	-	-	3.947	-
Hotel, Food and Beverage Services	-	-	210.766	5	-	-	115.344	3
Transportation and Communication	1.253	-	-	-	1.138	-	-	-
Financial Institutions	249	-	88.750	2	96	-	74.115	2
Real Asset and Leasing Services	66	-	-	-	396	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>356.059</b>	<b>100</b>	<b>4.582.781</b>	<b>100</b>	<b>450.736</b>	<b>100</b>	<b>4.096.982</b>	<b>100</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and disclosures related to the off-balance sheet items (continued)

##### 1.e Information on non cash loans classified under Group I and Group II:

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	345.763	4.577.658	440.863	4.083.632	5.854	5.123	6.547	13.350
Letters of Guarantee <sup>(1)</sup>	345.763	1.730.105	440.863	1.368.294	5.854	-	6.547	-
Bank Acceptances	-	170.915	-	190.447	-	-	-	-
Letters of Credit	-	2.676.638	-	2.524.891	-	5.123	-	13.350
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

<sup>(1)</sup> The letter of guarantee followed in the stage III, IV, V are respectively amounting to TL 361, TL 2.914, TL 1.167.

##### 2. Explanation related to derivative financial instruments

As of 31 December 2020, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	283.382	268.566	264.164	4.368.419	71.485	71.485	-	-	-
US Dollar	172.698	185.079	12.646.784	8.493.442	67.482	67.482	-	-	17.414.512
Euro	221.041	221.032	4.290.135	4.082.914	-	-	-	-	2.426.254
Other	-	-	149.341	151.674	-	-	-	-	-
<b>Total</b>	<b>677.121</b>	<b>674.677</b>	<b>17.350.424</b>	<b>17.096.449</b>	<b>138.967</b>	<b>138.967</b>	-	-	<b>19.840.766</b>

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	1.359.615	1.355.680	523.843	2.618.503	444.061	443.961	--	-	-
US Dollar	1.067.693	1.068.050	12.393.207	7.923.738	259.855	259.855	--	-	16.520.430
Euro	268.272	268.400	3.282.915	5.217.682	184.034	184.034	--	-	-
Other	-	-	147.015	157.687	-	-	--	-	-
<b>Total</b>	<b>2.695.580</b>	<b>2.692.130</b>	<b>16.346.980</b>	<b>15.917.610</b>	<b>887.950</b>	<b>887.850</b>	--	-	<b>16.520.430</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### III. Explanations and disclosures related to the off-balance sheet items (continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	626.317	340.386	13.997.617	663.399	286.807	13.567.336
Interest Rate Swap Transactions	376.864	311.511	20.449.256	177.133	130.228	18.697.254
Forward Transactions	66.249	64.964	1.351.798	44.287	41.167	5.387.710
Option Transactions	4.070	4.070	277.934	9.596	9.596	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>1.073.500</b>	<b>720.931</b>	<b>36.076.605</b>	<b>894.415</b>	<b>467.798</b>	<b>39.428.100</b>

##### *Fair value hedge*

For the year ended 31 December 2020, the Bank has interest rate swaps for hedging purposes and currency buy-sell nominal amount of TL 19.840.766 (31 December 2019: TL 16.520.430).

##### *Hedging from the cash-flow risk*

As of 31 December 2020 there is no cash-flow hedging transactions (31 December 2019: None).

##### **3. Explanations on loan derivatives and risk exposures**

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2019: None).

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **III. Explanations and disclosures related to the off-balance sheet items (continued)**

##### **4. Explanations on contingent liabilities and assets**

There are 41 legal cases against the Bank which are amounting to TL 2.159 as of the reporting date (31 December 2019: TL 2.162 - 41 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge/penalized stamp duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Bank relying on this report.

The Bank assesses that the Bank's practice is in compliance with the legislation and there is no legal basis for the tax administration's suspended assessments, therefore, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir. Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Bank against the decision of the Court with respect to the Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Bank are accrued by administration depending on legal process and as of 31 July 2014 the Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the Bank in relation to the Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Bank was contrary to the principle of legality and the Bank's property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the Bank was obliged to pay for the related period is recognized as income in the prior period.,

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

##### **5. Custodian and intermediary services:**

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement

##### 1. Information on interest income

##### 1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans <sup>(1)</sup>				
Short term loans	115.208	125.467	160.261	109.216
Medium and long term loans	326.549	1.729.014	357.131	1.525.484
Interest on non-performing loans	24.247	47.587	9.663	51.003
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>466.004</b>	<b>1.902.068</b>	<b>527.055</b>	<b>1.685.703</b>

<sup>(1)</sup> Commission income from loans have been included to the interest on loans.

##### 1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey <sup>(1)</sup>	72	-	7.101	-
Domestic banks	13.255	3.200	25.667	20.828
Foreign banks	1.423	4.032	1.417	6.472
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>14.750</b>	<b>7.232</b>	<b>34.185</b>	<b>27.300</b>

<sup>(1)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

##### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	5	-	3	-
Financial Assets at Fair Value Through Other Comprehensive Income	257.592	150.749	370.527	71.792
Financial Assets Measured at Amortized Cost	351.645	12.837	199.903	26.895
<b>Total</b>	<b>609.242</b>	<b>163.586</b>	<b>570.433</b>	<b>98.687</b>

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2020.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 1. Information on interest income (continued)

##### 1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	27.073	18.588

##### 2. Information on interest expenses

##### 2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	22.273	129.723	44.141	85.837
The Central Bank of Turkey	-	-	-	-
Domestic banks	7.615	5.482	33.978	7.010
Foreign banks	14.658	124.241	10.163	78.827
Branches and head office abroad	-	-	-	-
Other financial institutions	1.455	432.219	2.794	505.634
<b>Total <sup>(1)</sup></b>	<b>23.728</b>	<b>561.942</b>	<b>46.935</b>	<b>591.471</b>

<sup>(1)</sup> Commissions given to other financial institutions have been included to interest expense on funds borrowed.

##### 2.b Information on interest expense to associates and subsidiaries:

The Bank has no interest expense to its associates and subsidiaries (31 December 2019: None).

##### 2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued <sup>(1)</sup>	-	643.826	-	556.212

<sup>(1)</sup> Commissions given to issuance have been included to interest expense on funds borrowed.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 3. Information on dividend income

	Current period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.392	3.035
Other	-	47
<b>Total</b>	<b>4.392</b>	<b>3.082</b>

##### 4. Information on net trading income (net)

	Current Period	Prior Period
<b>Profit</b>	<b>4.523.458</b>	<b>3.354.753</b>
Gains on capital market operations	9.869	4.053
Gains on derivative financial instruments <sup>(1)</sup>	2.991.443	2.046.760
Foreign exchange gains	1.522.146	1.303.940
<b>Losses (-)</b>	<b>(4.483.290)</b>	<b>(3.800.413)</b>
Losses on capital market operations	(2.747)	(2.733)
Losses on derivative financial instruments <sup>(1)</sup>	(3.097.341)	(2.600.057)
Foreign exchange losses	(1.383.202)	(1.197.623)

<sup>(1)</sup> Foreign exchange gain from derivative transactions amounting to TL 1.492.299 is presented in "Gains on derivative financial instruments" (31 December 2019: TL 744.128), foreign exchange loss from derivative transactions amounting to TL (1.709.335) is presented in "Losses on derivative financial instruments" (31 December 2019: TL (1.186.618)).

##### 5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	1.997	27.199
Gains on Sale of Assets	85	1.025
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	106
From Property Sales	75	837
From Other Asset Sales	10	82
Other	3.807	3.388
<b>Total</b>	<b>5.889</b>	<b>31.612</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

#### 6. Expected credit loss of the Bank

	Current Period	Prior Period
Expected Credit Loss	884.842	416.769
12 Months Expected Credit Loss (Stage 1)	254.952	49.807
Significant Increase in Credit Risk (Stage 2)	230.386	143.607
Non-performing Loans (Stage 3)	399.504	223.355
Marketable Securities Impairment Expenses	123.670	42.113
Financial Assets at Fair Value Through Profit or Loss	101.360	34.196
Financial Assets at Fair Value Through Other Comprehensive Income	22.310	7.917
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other	-	-
<b>Total</b>	<b>1.008.512</b>	<b>458.882</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	5.011	1.155
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	15.531	14.360
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	2.060	1.636
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	29.302	24.604
Rent expenses	1.312	1.108
Maintenance expenses	818	836
Advertisement expenses	720	1.462
Other expenses	26.452	21.198
Loss on sale of assets	-	-
Other <sup>(1)</sup>	26.792	33.080
<b>Total</b>	<b>78.696</b>	<b>74.835</b>

<sup>(1)</sup> Tax and fee expenses excluding corporate tax amounting to TL 5.996; Includes allowance reserves expenses amounting to TL 831 (31.12.2019: tax and fee expenses excluding corporate tax: TL 12.504; allowance expenses: TL 541).

##### 8. Information on tax provision for continued and discontinued operations

###### 8.a Explanation on current tax charge or benefit and deferred tax charge or benefit:

The Bank's current tax charge for the period is TL 363.282 (31 December 2019: TL 280.993 deferred tax charge). Deferred tax income is TL 148.763 (31 December 2019: TL 88.411 deferred tax income).

###### 8.b Explanation related to deferred tax benefit or charge on temporary differences:

Deferred tax income calculated on temporary differences is TL 148.763 (31 December 2019: TL 88.411 deferred tax income).

###### 8.c Explanation related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2019: TL None).

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **IV. Explanations and disclosures related to the income statement (continued)**

###### **9. Explanations on net profit/loss from continued and discontinued operations**

As of 31 December 2020, the Bank's profit before tax has decreased by 5,57% compared to the prior period.

###### **10. Information on net profit/loss**

###### **10.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Bank has generated TL 3.266.501 of interest income, TL 1.267.018 of interest expenses and TL 50.145 of net fee and commission income from banking operations (31 December 2019: TL 3.254.968 interest income, TL 1.323.131 interest expense, TL 29.758 net fee and commission income).

###### **10.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There has no change in the accounting estimates and accordingly effect on the financial statement items.

###### **10.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 December 2019: None).

###### **11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

None other than other operating expense explained in Note IV.7, exceeds 10% of the income statement.

##### **V. Explanations related to the statement of changes in shareholders' equity**

###### **1. Informations related to capital**

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 338.153 Extraordinary legal reserves is TL 1.805.526.

###### **2. Accumulated other comprehensive income or loss not reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value in investment in associates, subsidiaries and entities which under equity method.

###### **3. Accumulated other comprehensive income or loss reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **VI. Explanations related to the statement of cash flows**

###### **1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents**

In the current period, other income amounting to TL 10.620, consists of gain on sale of assets and non-interest income (31 December 2019: TL 4.708 gain on sale of assets, and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 433.872 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss. (31 December 2019: TL (344.252) consists of derivative financial transaction losses, taxes paid except loss employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss).

In the current period, net increase/decrease item in other assets amounting to TL (275.434) (31 December 2019: TL 138.668), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL 522.081 (31 December 2019: TL 631.340), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 23.688 (31 December 2019: TL 3.262).

###### **2. Information about cash flows from acquisition of associates, subsidiaries and other investments**

In the current period, the Bank has invested TL 1.532 of movable and immovable property and TL 2.334 of intangible assets. In the current period, there is TL 185.542 investment on subsidiaries and affiliates.

In the prior period, the Bank has invested TL 6.366 of movable and immovable property and TL 1.540 of intangible assets. In the prior period, there is TL 400 investment on subsidiaries and affiliates.

###### **Information about disposal of associates, subsidiaries, and other investments**

In the current period, the Bank has generated a cash inflow of TL 108 on sale of movable fixed assets and properties (31 December 2019: TL 3.277).

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VI. Explanations related to the statement of cash flows (continued)

##### 3. Information on cash and cash equivalents at the end of the period

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	25	23
Cash Equivalents	599.560	1.202.087
<b>Total</b>	<b>599.585</b>	<b>1.202.110</b>

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	17	25
Cash Equivalents	1.641.368	599.560
<b>Total</b>	<b>1.641.385</b>	<b>599.585</b>

##### 4. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 1.011.244 (31 December 2019: TL 796.067) in Turkish Republic Central Bank represent Turkish Lira, foreign currency requirements of the Bank.

##### 5. Additional information related to financial position and liquidity of the Bank

##### 5.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

##### 5.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VII. Explanations on the risk group of the Bank****1. Information on the volume of transactions related to the Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period****1.a Current Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	545.560	27.938	118.394	-	39.529	-
Balance at End of Period	729.154	515	294.689	-	24.747	-
Interest and Commission Income	26.930	143	10.764	-	1.912	-

**1.b Prior Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	437.232	262	102.776	-	59.858	-
Balance at End of Period	545.560	27.938	118.394	-	39.529	-
Interest and Commission Income <sup>(1)</sup>	17.827	761	7.453	-	3.578	-

<sup>(1)</sup> Includes 31 December 2019.

**1.c Information on deposit held by Bank's own risk group:**

The Bank is not authorized to accept deposits.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VII. Explanations on the risk group of the Bank (Continued)

##### 2. Information on forward, option and other similar agreements made with Bank's own risk group

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Fair Value Through Profit or Loss Transactions</b>						
Beginning of the Period	-	364.732	-	-	-	131.758
End of the Period	15.247	-	-	-	-	-
Total Profit/Loss	(34.750)	(20.179)	-	-	(915)	(2.231)
<b>Hedging Risk Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(\*) Prior Period includes informations about 31 December 2019.

##### 3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to the key management personnel in the current period amount to TL 15.422 (31 December 2019: TL 14.181).

#### VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:

##### 1. Domestic and foreign branches and representative offices

	Number	Number of Employees	Country of Incorporation	Total Asset	Statutory Share Capital
Domestic branches	1	389			
Foreign representations	-	-			
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

##### 2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX

#### OTHER EXPLANATIONS

##### I. Other explanations related to operations of the Bank

##### 1.a Brief information related to ratings carried out by international rating firms:

#### FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	B+
Long-term Maturity Foreign Currency Outlook (issuer)	Negative
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB-
Long-term Maturity National Currency Outlook (issuer)	Negative
Short-term Maturity National Currency (issuer)	B
Support Note	4
Support Note Base	B
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	B-
Financial Capacity Note	b+

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 1 September 2020 and determined Bank's "Financial Capacity Note"

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX

#### OTHER EXPLANATIONS

##### I. Other explanations related to operations of the Bank (Continued)

###### 1.a Brief information related to ratings carried out by international rating firms:

###### MOODY'S

Reference Financial Rating Note	caa I
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Unsecured Debt-Foreign Currency</b>	
Long-term Maturity	B3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) B3

Information above represents updated information as of 18 June 2019.

###### 1.b Informations on corporate governance rating of the Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,64% (9,56 over 10) as of 19 October 2020. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,39 (Weight: 35%) over 10 respectively.

##### II. Other explanations related to the events after the reporting date

The Bank issued debt instrument in abroad which have nominal value of full USD 350 Million. The redemption date of the fixed-rate, 5-year bond, which was sold on 14 January 2021, was determined as 14 January 2026 and the coupon rate was 5,875%.



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION SEVEN**

#### **AUDITORS' REPORT**

##### **I. Explanations on the auditors' report**

The unconsolidated financial statements for the period ended 31 December 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated 1 February 2021 is presented preceding the financial statements.

##### **II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Bank's operations.

Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

## **INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(Convenience translation of consolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

### Audit of 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 2020 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. and its subsidiaries as at 31 December 2020 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

#### Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2020 is understated by TL 220.000 thousand.

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.

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="108 321 921 378"><b>Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9</b></p> <p data-bbox="108 399 956 483">As presented in Section 3 disclosure IX the Bank calculates expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the TFRS 9 impairment of financial assets as a key audit matter since:</p> <ul data-bbox="108 496 962 1044" style="list-style-type: none"> <li>- Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements</li> <li>- There are complex and comprehensive requirements of TFRS 9</li> <li>- The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Group determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Group management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex</li> </ul>	<p data-bbox="997 399 1541 423">Our audit procedures included among others include:</p> <ul data-bbox="997 436 1857 1328" style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, Covid-19 impacts, 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**

Employees of the Parent Bank are members of “TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı”, (“the Fund”), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVII the “Explanations on Liabilities regarding employee benefits” to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.

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 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.

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.

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.

It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits.

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.

## INDEPENDENT AUDITOR'S REPORT

<b>Derivative Financial Instruments</b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

### Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

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 2020 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



1 February 2021  
İstanbul, Türkiye



## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

### THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2020

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The consolidated financial report for year end includes the following sections in accordance with “Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced” as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and joint ventures, financial statements of which are consolidated within the framework of the reporting package, are as follows.

#### Subsidiaries

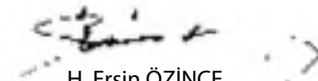
Yatırım Finansman Menkul Değerler A.Ş.  
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.  
Yatırım Varlık Kiralama A.Ş.

#### Associates

İş Finansal Kiralama A.Ş.  
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.  
İş Faktoring A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared in **thousands of Turkish Lira (“TL”)**, in accordance with the Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks’ records, and have been independently audited and presented as attached.


1 February 2021

  
H. Ersin ÖZİNCE  
Chairman of Board of Directors

  
Ece BÖRÜ  
Member of Board of Directors and  
General Manager

  
Aziz Ferit ERASLAN  
Executive Vice President in Charge of  
Financial Reporting

  
Tolga SERT  
Head of  
Financial Control Department

  
Mahmut MAGEMİZOĞLU  
Head of Audit Committee

  
Gamze YALÇIN  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

Name-Surname/Title: Ayşe Nazlıca/Head of Financial Corporation and Investor Relations  
Telephone Number: (212) 334 51 94

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## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE

#### GENERAL INFORMATION

##### I. The Parent Bank's incorporation date, beginning status, changes in the existing status

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Parent Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Parent Bank is "Development and Investment Bank". The Parent Bank does not have the license of "Accepting Deposit". Since the establishment date of the Parent Bank, there is no change in its "Development and Investment Bank" status.

##### II. Explanations regarding the Parent Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Parent Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Parent Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Parent Bank are as follows:

<b>Current Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.781	50,92	1.425.781	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.649	40,70	1.139.649	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,92% of the shares belongs to İş Bank Group and 38,88% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

### III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Parent Bank

#### The Chairman and The Members of Board of Directors:

Name Surname	Title <sup>(1)</sup>
H. Ersin Özince	Chairman of the Board of Directors
Mahmut Magemizoğlu <sup>(3)</sup>	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
Ece Börü <sup>(2)</sup>	Member of the Board of Directors and General Manager
Yavuz Canevi	Member of the Board of Directors
Bahattin Özarslantürk <sup>(4)</sup>	Member of the Board of Directors
Mithat Rende	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ozan Uyar <sup>(3)</sup>	Member of the Board of Directors
Abdi Serdar Üstünsalih	Member of the Board of Directors
Gamze Yalçın	Member of the Board of Directors and Member of Audit Committee
Hüseyin Yalçın	Member of the Board of Directors

#### General Manager and Vice Presidents <sup>(5)</sup>

Name Surname	Title/Area of Responsibility <sup>(4)</sup>
Ece Börü	General Manager
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring, Engineering and Technical Consultancy
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations, Corporate Communication
Hasan Hepkaya	Executive Vice President - Consultancy Services and Marketing, Corporate Banking Selling, Project Finance, Economic Research, Financial Consultancy
Hakan Aygen	Executive Vice President - Corporate Finance, Loan Analysis, Loan Allocation, Specialized Loans
H. Yetkin Kesler	Executive Vice President - Pension and Assistance Funds, Human Resources, Enterprise Architecture and Process Management
B. Gökhan Çanakpınar	Executive Vice President - Support Services, System & Network Support, Application Development
A.Ferit Eraslan	Executive Vice President - Financial Control, Budget Planning, Corporate Compliance

<sup>(1)</sup>The shares of above directors in the Bank are symbolic.

<sup>(2)</sup>The Member of the Board of Directors and General Manager of the Bank Mr. Suat İnce resigned from his duty as a member of the Board of Directors and General Manager position due to retirement as of 3 April 2020. As of 12 August 2020 and with the Board of Directors Decision No. 2449; Ms. Ece Börü has been appointed as the General Manager and started her duty as of 25 August 2020.

<sup>(3)</sup>The Member of the Board of Directors Mr. Mehmet Şencan and Mr.Can Yücel resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 5 May 2020, it is decided that Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(4)</sup>The Member of the Board of Directors Mr. Ahmet Ünal resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 August 2020, it is decided that Mr. Bahattin Özarslantürk was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

<sup>(5)</sup>It shows the duties and responsibilities after the organizational changes carried out in the Bank based on the Bank's Board of Directors Decision No. 2452 dated 27 August 2020.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2020 in the General Assembly Meeting held on 26 March 2020.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION ONE (Continued)**

#### **GENERAL INFORMATION (Continued)**

#### **IV. Information about the persons and institutions that have qualified shares in the Parent Bank**

Explanation about the people and institutions that have qualified shares control the Parent Bank's capital directly or indirectly are described in General Information Section II.

#### **V. Summary on the Parent Bank's functions and areas of activity**

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Parent Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Parent Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Parent Bank also continues to offer solutions with respect to the newest needs and client demands.

#### **VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş. and Anavarza Otelcilik Anonim Şirketi are not consolidated since they are not in scope of financial institutions according to related Communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. and Yatırım Varlık Kiralama A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

#### **Yatırım Finansman Menkul Değerler A.Ş. :**

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

#### **TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 89,13%. The company's headquarters is located at Istanbul/Turkey.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION ONE (Continued)**

#### **GENERAL INFORMATION (Continued)**

##### **V. Summary on the Parent Bank's functions and areas of activity (Continued)**

###### **Yatırım Varlık Kiralama A.Ş. :**

Yatırım Varlık Kiralama A.Ş. was established on 20 September 2019. Core business of the Company is to issue a lease certificate exclusively in accordance with the provisions of the Capital Market Law and the relevant Communiqué. The share of Yatırım Finansman Menkul Değerler A.Ş. is 100%.

###### **İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The Company's headquarters is located at Istanbul/Turkey.

###### **İş Faktoring A.Ş. :**

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

###### **İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The Company's headquarters is located at Istanbul/Turkey.

##### **VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

##### **VIII. Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures**

The Parent Bank Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the Parent Bank's corporate website.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ASSETS	Section 5 Note I	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>4.051.419</b>	<b>5.046.636</b>	<b>9.098.055</b>	<b>3.417.606</b>	<b>3.597.087</b>	<b>7.014.693</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1.512.256</b>	<b>1.363.303</b>	<b>2.875.559</b>	<b>539.386</b>	<b>1.047.785</b>	<b>1.587.171</b>
1.1.1 Cash and Balances with Central Bank	(1)	2.247	1.021.382	1.023.629	513	803.528	804.041
1.1.2 Banks	(3)	86.932	342.533	429.465	12.973	244.719	257.692
1.1.3 Money Market Placements		1.424.176	-	1.424.176	526.286	-	526.286
1.1.4 Expected Credit Losses (-)		1.099	612	1.711	386	462	848
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>16.754</b>	<b>263.097</b>	<b>279.851</b>	<b>15.821</b>	<b>263.097</b>	<b>278.918</b>
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		4.152	-	4.152	1	-	1
1.2.3 Other Financial Assets		12.602	263.097	275.699	15.820	263.097	278.917
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>1.905.409</b>	<b>2.696.730</b>	<b>4.602.139</b>	<b>2.209.134</b>	<b>1.977.139</b>	<b>4.186.273</b>
1.3.1 Government Debt Securities		1.695.394	2.619.578	4.314.972	2.001.291	1.922.143	3.923.434
1.3.2 Equity Instruments		88.595	77.152	165.747	62.763	53.806	116.569
1.3.3 Other Financial Assets		121.420	-	121.420	145.080	1.190	146.270
<b>1.4 Derivative Financial Assets</b>	(2)	<b>617.000</b>	<b>723.506</b>	<b>1.340.506</b>	<b>653.265</b>	<b>309.066</b>	<b>962.331</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		617.000	723.506	1.340.506	653.265	309.066	962.331
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>8.056.807</b>	<b>32.645.563</b>	<b>40.702.370</b>	<b>6.757.111</b>	<b>26.586.973</b>	<b>33.344.084</b>
<b>2.1 Loans</b>	(5)	<b>5.875.096</b>	<b>33.299.702</b>	<b>39.174.798</b>	<b>4.750.439</b>	<b>26.766.177</b>	<b>31.516.616</b>
<b>2.2 Lease Receivables</b>	(10)	<b>-</b>	<b>205.726</b>	<b>205.726</b>	<b>-</b>	<b>128.874</b>	<b>128.874</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	(6)	<b>2.719.902</b>	<b>363.157</b>	<b>3.083.059</b>	<b>2.285.894</b>	<b>299.266</b>	<b>2.585.160</b>
2.4.1 Government Debt Securities		2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>538.191</b>	<b>1.223.022</b>	<b>1.761.213</b>	<b>279.222</b>	<b>607.344</b>	<b>886.566</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>64.403</b>	<b>-</b>	<b>64.403</b>	<b>64.403</b>	<b>-</b>	<b>64.403</b>
3.1 Held for Sale Purpose		64.403	-	64.403	64.403	-	64.403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>651.842</b>	<b>-</b>	<b>651.842</b>	<b>473.335</b>	<b>-</b>	<b>473.335</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>625.893</b>	<b>-</b>	<b>625.893</b>	<b>465.976</b>	<b>-</b>	<b>465.976</b>
4.1.1 Accounted Under Equity Method		625.893	-	625.893	464.920	-	464.920
4.1.2 Unconsolidated Associates		-	-	-	1.056	-	1.056
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>25.352</b>	<b>-</b>	<b>25.352</b>	<b>5.109</b>	<b>-</b>	<b>5.109</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		25.352	-	25.352	5.109	-	5.109
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>		<b>597</b>	<b>-</b>	<b>597</b>	<b>2.250</b>	<b>-</b>	<b>2.250</b>
4.3.1 Joint Ventures Valued Based on Equity Method		597	-	597	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	2.250	-	2.250
<b>V. TANGIBLE ASSETS (Net)</b>	(12)	<b>380.662</b>	<b>-</b>	<b>380.662</b>	<b>347.206</b>	<b>-</b>	<b>347.206</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>5.066</b>	<b>-</b>	<b>5.066</b>	<b>5.074</b>	<b>-</b>	<b>5.074</b>
6.1 Goodwill		1.005	-	1.005	1.005	-	1.005
6.2 Other		4.061	-	4.061	4.069	-	4.069
<b>VII. INVESTMENT PROPERTY (Net)</b>	(14)	<b>279.523</b>	<b>-</b>	<b>279.523</b>	<b>273.918</b>	<b>-</b>	<b>273.918</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>78</b>	<b>-</b>	<b>78</b>	<b>255</b>	<b>-</b>	<b>255</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>175.419</b>	<b>-</b>	<b>175.419</b>	<b>39.930</b>	<b>-</b>	<b>39.930</b>
<b>X. OTHER ASSETS (Net)</b>	(17)	<b>614.639</b>	<b>458.863</b>	<b>1.073.502</b>	<b>289.966</b>	<b>400.147</b>	<b>690.113</b>
<b>TOTAL ASSETS</b>		<b>14.279.858</b>	<b>38.151.062</b>	<b>52.430.920</b>	<b>11.668.804</b>	<b>30.584.207</b>	<b>42.253.011</b>

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



**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	(3)	119.985	32.212.225	32.332.210	635.639	25.992.686	26.628.325
<b>III. MONEY MARKET BALANCES</b>		1.066.421	323.705	1.390.126	535.195	662.172	1.197.367
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(3)	441.111	8.021.275	8.462.386	253.918	6.023.450	6.277.368
4.1 Bills		35.907	-	35.907	108.662	-	108.662
4.2 Assets Backed Securities		405.204	-	405.204	145.256	-	145.256
4.3 Bonds		-	8.021.275	8.021.275	-	6.023.450	6.023.450
<b>V. BORROWER FUNDS</b>		6.275	115.830	122.105	2.494	56.456	58.950
5.1 Borrower Funds		6.275	115.830	122.105	2.494	56.456	58.950
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	326.364	548.616	874.980	277.424	207.410	484.834
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		326.364	548.616	874.980	277.424	207.410	484.834
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(5)	4.394	-	4.394	4.913	-	4.913
<b>X. PROVISIONS</b>	(7)	245.185	29.593	274.778	242.096	22.070	264.166
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		21.141	-	21.141	18.095	-	18.095
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		224.044	29.593	253.637	224.001	22.070	246.071
<b>XI. CURRENT TAX LIABILITY</b>	(8)	155.129	-	155.129	83.358	-	83.358
<b>XII. DEFERRED TAX LIABILITY</b>	(8)	1.508	-	1.508	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	-	2.299.503	2.299.503	-	1.830.045	1.830.045
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	2.299.503	2.299.503	-	1.830.045	1.830.045
<b>XV. OTHER LIABILITIES</b>		175.204	207.828	383.032	158.620	86.076	244.696
<b>XVI. SHAREHOLDERS' EQUITY</b>		6.007.676	123.093	6.130.769	5.182.346	(3.357)	5.178.989
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2 Capital Reserves		1.150	-	1.150	904	-	904
16.2.1 Share Premium		776	-	776	530	-	530
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		374	-	374	374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(11)	390.557	(765)	389.792	337.134	(147)	336.987
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		101.903	123.858	225.761	75.403	(3.210)	72.193
16.5 Profit Reserves		1.947.077	-	1.947.077	1.226.589	-	1.226.589
16.5.1 Legal Reserves	(11)	342.716	-	342.716	306.633	-	306.633
16.5.2 Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3 Extraordinary Reserves	(11)	1.525.800	-	1.525.800	841.395	-	841.395
16.5.4 Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6 Profit Or Loss		712.819	-	712.819	704.226	-	704.226
16.6.1 Prior Years' Profit/Loss		525	-	525	(26.278)	-	(26.278)
16.6.2 Current Year Profit/Loss		712.294	-	712.294	730.504	-	730.504
16.7 Non-Controlling Interests		54.170	-	54.170	38.090	-	38.090
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8.549.252</b>	<b>43.881.668</b>	<b>52.430.920</b>	<b>7.376.003</b>	<b>34.877.008</b>	<b>42.253.011</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

OFF-BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>7.373.851</b>	<b>60.513.309</b>	<b>67.887.160</b>	<b>8.650.964</b>	<b>56.620.778</b>	<b>65.271.742</b>
<b>I. GUARANTEES AND COLLATERALS</b>	<b>(1)</b>	<b>356.057</b>	<b>4.582.781</b>	<b>4.938.838</b>	<b>450.734</b>	<b>4.096.982</b>	<b>4.547.716</b>
1.1 Letters of Guarantee		356.057	1.730.105	2.086.162	450.734	1.368.294	1.819.028
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		356.057	1.730.105	2.086.162	450.734	1.368.294	1.819.028
1.2 Bank Acceptances		-	170.915	170.915	-	190.447	190.447
1.2.1 Import Letter of Acceptance		-	170.915	170.915	-	190.447	190.447
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.1 Documantary Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
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 Guarantess		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>1.600.166</b>	<b>5.267.924</b>	<b>6.868.090</b>	<b>1.313.799</b>	<b>3.181.266</b>	<b>4.495.065</b>
2.1 Irrevocable Commitments		1.050.260	553.382	1.603.642	968.090	336.269	1.304.359
2.1.1 Forward Asset Purchase and Sale Commitments		9.028	90.102	99.130	4.506	16.898	21.404
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	127.172	127.172	-	96.782	96.782
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		1.041.232	336.108	1.377.340	963.584	222.589	1.186.173
2.2 Revocable Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.1 Revocable Loan Granting Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>5.417.628</b>	<b>50.662.604</b>	<b>56.080.232</b>	<b>6.886.431</b>	<b>49.342.530</b>	<b>56.228.961</b>
3.1 Derivative Financial Instruments for Hedging Purposes		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.1 Fair Value Hedge		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		5.417.628	30.821.838	36.239.466	6.886.431	32.822.100	39.708.531

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
3.2.1	Forward Foreign Currency Buy/Sell Transactions	551.948	799.850	1.351.798	2.715.295	2.672.415	5.387.710
3.2.1.1	Forward Foreign Currency Transactions-Buy	283.382	393.739	677.121	1.359.615	1.335.965	2.695.580
3.2.1.2	Forward Foreign Currency Transactions-Sell	268.566	406.111	674.677	1.355.680	1.336.450	2.692.130
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate	4.710.136	29.887.024	34.597.160	3.283.114	29.261.907	32.545.021
3.2.2.1	Foreign Currency Swap-Buy	341.717	6.861.632	7.203.349	664.611	6.474.510	7.139.121
3.2.2.2	Foreign Currency Swap-Sell	4.368.419	2.576.136	6.944.555	2.618.503	4.090.143	6.708.646
3.2.2.3	Interest Rate Swap-Buy	-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.2.4	Interest Rate Swap-Sell	-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.3	Foreign Currency, Interest Rate, and Securities Options	142.970	134.964	277.934	888.022	887.778	1.775.800
3.2.3.1	Foreign Currency Options-Buy	71.485	67.482	138.967	444.061	443.889	887.950
3.2.3.2	Foreign Currency Options-Sell	71.485	67.482	138.967	443.961	443.889	887.850
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	12.574	-	12.574	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>	<b>68.853.512</b>	<b>416.411.119</b>	<b>485.264.631</b>	<b>75.378.722</b>	<b>466.258.507</b>	<b>541.637.229</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>3.048.106</b>	<b>276.873</b>	<b>3.324.979</b>	<b>2.730.641</b>	<b>688.583</b>	<b>3.419.224</b>
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	2.250.816	276.873	2.527.689	2.136.470	688.583	2.825.053
4.3	Checks Received for Collection	248	-	248	248	-	248
4.4	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	-	-	-	-	-	-
4.8	Custodians	797.042	-	797.042	593.923	-	593.923
<b>V.</b>	<b>PLEDGES ITEMS</b>	<b>59.075.249</b>	<b>327.909.736</b>	<b>386.984.985</b>	<b>52.958.989</b>	<b>254.620.688</b>	<b>307.579.677</b>
5.1	Marketable Securities	456.248	-	456.248	471.248	13.784.545	14.255.793
5.2	Guarantee Notes	80.666	1.616.541	1.697.207	95.499	3.691.702	3.787.201
5.3	Commodity	-	-	-	-	-	-
5.4	Warranty	-	-	-	-	-	-
5.5	Real Estate	8.235.352	89.251.431	97.486.783	3.805.808	63.849.083	67.654.891
5.6	Other Pledged Items	50.302.983	237.041.764	287.344.747	48.586.434	173.295.358	221.881.792
5.7	Pledged Items-Depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>	<b>6.730.157</b>	<b>88.224.510</b>	<b>94.954.667</b>	<b>19.689.092</b>	<b>210.949.236</b>	<b>230.638.328</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>76.227.363</b>	<b>476.924.428</b>	<b>553.151.791</b>	<b>84.029.686</b>	<b>522.879.285</b>	<b>606.908.971</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

STATEMENT OF PROFIT OR LOSS	Section 5 Note IV	Audited Current Period 1 January 2020 -31 December 2020	Audited Prior Period 1 January 2019 -31 December 2019
<b>I. INTEREST INCOME</b>	(1)	<b>3.336.674</b>	<b>3.313.001</b>
1.1 Interest on Loans		2.422.360	2.260.048
1.2 Interest Received from Reserve Deposits		72	7.101
1.3 Interest Received from Banks		32.779	60.321
1.4 Interest Received from Money Market Placements		90.413	290.429
1.5 Interest Received from Marketable Securities Portfolio		774.466	670.421
1.5.1 Fair Value Through Profit or Loss		1.643	1.327
1.5.2 Fair Value Through other Comprehensive Income		408.341	442.296
1.5.3 Measured at Amortized Cost		364.482	226.798
1.6 Finance Lease Income		8.460	6.406
1.7 Other Interest Income		8.124	18.275
<b>II. INTEREST EXPENSES (-)</b>	(2)	<b>1.314.289</b>	<b>1.401.717</b>
2.1 Interest on Deposits		-	-
2.2 Interest on Funds Borrowed		606.235	669.318
2.3 Interest on Money Market Borrowings		56.029	157.818
2.4 Interest on Securities Issued		649.385	565.831
2.5 Leasing Interest Expense		192	1.143
2.6 Other Interest Expense		2.448	7.607
<b>III. NET INTEREST INCOME (I - II)</b>		<b>2.022.385</b>	<b>1.911.284</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>118.915</b>	<b>65.103</b>
4.1 Fees and Commissions Received		137.281	78.154
4.1.1 Non-cash Loans		35.030	24.400
4.1.2 Other		102.251	53.754
4.2 Fees and Commissions Paid (-)		18.366	13.051
4.2.1 Non-cash Loans		2.859	2.916
4.2.2 Other		15.507	10.135
<b>V. DIVIDEND INCOME</b>	(3)	<b>10.857</b>	<b>6.754</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>(10.807)</b>	<b>(419.123)</b>
6.1 Securities Trading Gains/(Losses)		5.119	3.737
6.2 Derivative Financial Instruments Gains/Losses		(61.198)	(489.078)
6.3 Foreign Exchange Gains/Losses (Net)		45.272	66.218
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>138.534</b>	<b>65.550</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2.279.884</b>	<b>1.629.568</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	(6)	<b>1.011.664</b>	<b>460.631</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	(6)	-	-
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>178.506</b>	<b>156.391</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>228.018</b>	<b>99.017</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>861.696</b>	<b>913.529</b>
<b>XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XV. PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>74.651</b>	<b>19.944</b>
<b>XVI. GAIN/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>936.347</b>	<b>933.473</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>226.874</b>	<b>197.332</b>
18.1 Provision for Current Income Taxes		372.725	286.837
18.2 Deferred Tax Income Effect (+)		502.836	193.394
18.3 Deferred Tax Expense Effect (-)		648.687	282.899
<b>XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	(10)	<b>709.473</b>	<b>736.141</b>
<b>XX. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
20.1 Income on Assets Held for Sale		-	-
20.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3 Income on Other Discontinued Operations		-	-
<b>XXI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Loss from Assets Held for Sale		-	-
21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3 Loss from Other Discontinued Operations		-	-
<b>XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Provision for Current Income Taxes		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	(11)	<b>709.473</b>	<b>736.141</b>
25.1 Group's Profit/Loss		712.294	730.504
25.2 Minority Shares (-)		(2.821)	5.637
Earning/(loss) per share		0,254	0,261

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	<b>Audited Current Period</b>	<b>Audited Prior Period</b>
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>1 January 2020 - 31 December 2020</b>	<b>1 January 2019 - 31 December 2019</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>709.473</b>	<b>736.141</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>206.373</b>	<b>264.373</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>52.805</b>	<b>52.617</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	32.407	49.105
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	3.507	(1.034)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	18.194	4.339
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.303)	207
<b>2.2 Reclassified Through Profit or Loss</b>	<b>153.568</b>	<b>211.756</b>
2.2.1 Foreign Currency Translation Differences	19.138	5.010
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	57.571	243.694
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	87.426	16.678
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(10.567)	(53.626)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>915.846</b>	<b>1.000.514</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from		Total Shareholders' Equity
						1	2	3	4	5	6				Minority Interest	Minority Interest	
<b>Prior Period - 31 December 2019</b>																	
I. Prior Period End Balance		2.800.000	516	-	374	261.494	(566)	23.442	15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622	4.184.076
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2.800.000	516	-	374	261.494	(566)	23.442	15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622	4.184.076
IV. Total Comprehensive Income		-	-	-	-	49.105	(827)	4.339	5.010	190.068	16.678	-	-	730.504	994.877	5.637	1.000.514
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	14	-	-	-	-	-	-	-	-	133	555	-	702	(6.169)	(5.467)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	697.397	(697.531)	-	(134)	-	(134)
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	(134)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	697.397	(697.397)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>530</b>	<b>-</b>	<b>374</b>	<b>310.599</b>	<b>(1.393)</b>	<b>27.781</b>	<b>20.714</b>	<b>28.010</b>	<b>23.469</b>	<b>1.226.589</b>	<b>(26.278)</b>	<b>730.504</b>	<b>5.140.899</b>	<b>38.090</b>	<b>5.178.989</b>

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

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

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
<b>Current Period - 31 December 2020</b>																	
<b>I. Prior Period End Balance</b>		<b>2.800.000</b>	<b>530</b>	<b>-</b>	<b>374</b>	<b>310.599</b>	<b>(1.393)</b>	<b>27.781</b>	<b>20.714</b>	<b>28.010</b>	<b>23.469</b>	<b>1.226.589</b>	<b>704.226</b>	<b>-</b>	<b>5.140.899</b>	<b>38.090</b>	<b>5.178.989</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>																	
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.800.000</b>	<b>530</b>	<b>-</b>	<b>374</b>	<b>310.599</b>	<b>(1.393)</b>	<b>27.781</b>	<b>20.714</b>	<b>28.010</b>	<b>23.469</b>	<b>1.226.589</b>	<b>704.226</b>	<b>-</b>	<b>5.140.899</b>	<b>38.090</b>	<b>5.178.989</b>
<b>IV. Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31.826</b>	<b>2.785</b>	<b>18.194</b>	<b>19.138</b>	<b>47.004</b>	<b>87.426</b>	<b>-</b>	<b>-</b>	<b>712.294</b>	<b>918.667</b>	<b>(2.821)</b>	<b>915.846</b>
<b>V. Capital Increase by Cash</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. Capital Increase by Internal Sources</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. Effect of Inflation on Paid-in Capital</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. Convertible Bonds to Share</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. Subordinated Debt Instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. Increase/Decrease by Other Changes</b>		<b>-</b>	<b>246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.844</b>	<b>(923)</b>	<b>-</b>	<b>17.167</b>	<b>18.901</b>	<b>36.068</b>
<b>XI. Profit Distribution</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>702.644</b>	<b>(702.778)</b>	<b>-</b>	<b>(134)</b>	<b>-</b>	<b>(134)</b>
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	(134)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	702.644	(702.644)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>776</b>	<b>-</b>	<b>374</b>	<b>342.425</b>	<b>1.392</b>	<b>45.975</b>	<b>39.852</b>	<b>75.014</b>	<b>110.895</b>	<b>1.947.077</b>	<b>525</b>	<b>712.294</b>	<b>6.076.599</b>	<b>54.170</b>	<b>6.130.769</b>

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>1.892.269</b>	<b>1.125.037</b>
1.1.1 Interest Received		2.985.322	2.971.773
1.1.2 Interest Paid		(1.224.002)	(1.250.464)
1.1.3 Dividends Received		10.857	6.754
1.1.4 Fees and Commissions Received		137.281	78.154
1.1.5 Other Income		65.373	80.871
1.1.6 Collections from Previously Written off Loans		33.596	85.017
1.1.7 Payments to Personnel and Service Suppliers		(210.323)	(182.369)
1.1.8 Taxes Paid		(284.929)	(288.619)
1.1.9 Others		379.094	(376.080)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(684.992)</b>	<b>683.347</b>
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(19.143)	(5.157)
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		428.298	310.064
1.2.4 Net (Increase) (Decrease) in Other Assets		(315.826)	120.049
1.2.5 Net (Increase) (Decrease) in Bank Deposits		-	-
1.2.6 Net (Increase) (Decrease) in Other Deposits		-	-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-	-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		(1.518.465)	(319.292)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		740.144	577.683
<b>I. Net Cash Provided by/(used in) Banking Operations</b>		<b>1.207.277</b>	<b>1.808.384</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided by/(used in) Investing Activities</b>		<b>(16.430)</b>	<b>(521.520)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-	(990)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(10.965)	(9.698)
2.4 Disposals of Property and Equipment		280	5.592
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(998.063)	(1.048.151)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		1.142.753	772.368
2.7 Purchase of Financial Assets Measured at Amortized Cost		(149.670)	(433.812)
2.8 Sale of Financial Assets Measured at Amortized Cost		1.577	195.251
2.9 Others		(2.342)	(2.080)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided by/(used in) Financing Activities</b>		<b>(130.338)</b>	<b>(1.897.241)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2.330.419	108.662
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.478.503)	(2.004.016)
3.3 Capital Increase		20.534	-
3.4 Dividends Paid		(134)	(134)
3.5 Payments for Leases		(2.654)	(1.753)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>24.313</b>	<b>4.354</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1.084.822</b>	<b>(606.023)</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>779.802</b>	<b>1.385.825</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>1.864.624</b>	<b>779.802</b>

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



**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2020 <sup>(1)</sup>	Audited Prior Period 31 December 2019
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME <sup>(2)</sup></b>		
1.1 CURRENT YEAR INCOME	947.348	894.227
1.2 TAXES AND DUTIES PAYABLE	214.519	192.582
1.2.1 Corporate Tax (Income tax)	363.282	280.993
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties <sup>(3)</sup>	(148.763)	(88.411)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>732.829</b>	<b>701.645</b>
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	35.083
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>732.829</b>	<b>666.562</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 STATUTORY RESERVES (-)	-	-
1.11 EXTRAORDINARY RESERVES	-	666.562
1.12 OTHER RESERVES	-	-
1.13 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To owners of ordinary shares	-	-
2.2.2 To owners of preferred shares	-	-
2.2.3 To owners of preferred shares (pre-emptive rights)	-	-
2.2.4 To profit sharing bonds	-	-
2.2.5 To holders of profit and loss sharing certificates	-	-
2.3 DIVIDENDS TO PERSONNEL (-)	-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE <sup>(2)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0.26	0.24
3.2 TO OWNERS OF ORDINARY SHARES (%)	26.17	23.81
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2020 yet, only profit available for distribution for the year 2020 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 period and the prior period amounts are related to deferred tax income.

<sup>(4)</sup> The profit distribution table for the previous period became final with the decision of the Ordinary General Assembly dated 26 March 2020, after the publication of the independently audited financial statements dated 31 December 2019 and rearranged in this direction. Also, the previous period adjustments stated in the Note XXIII of Section Three are not reflected in the previous period profit distribution table.

<sup>(5)</sup> According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements is belong to the Parent Bank.

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

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### **SECTION THREE**

#### **ACCOUNTING POLICIES**

##### **I. Basis of presentation**

##### **I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents**

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2020 period presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

The format and content of the accompanying consolidated financial statements and footnotes have been prepared in accordance with the "Communique' on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communique on Disclosures About Risk Management to be Announced to Public by Banks."

The accompanying unconsolidated financial statements and the explanatory footnotes, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL").

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

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34 "Interim Financial reporting" except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### **I.b The valuation principles used in the preparation of the financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

Coronavirus epidemic spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Due to COVID-19, the Parent Bank allowed loan customers to translate their principal, interest and installments under current conditions if they demand and began to apply the translations within this context. As it is intended to update the financial information contained in the latest annual financial statements in the interim financial statements prepared as of 31 December 2020 and considering the magnitude of the economic changes occurred due to COVID-19, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote VIII "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **I. Basis of presentation (continued)**

###### **I.c The accounting policies for the correct understanding of the financial statements**

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

###### **Changes in accounting policies and disclosures**

TAS/IFRS changes, which entered into force as of 1 January 2021, do not have a significant effect on the accounting policies, financial status and performance of the Bank. TAS and IFRS changes, which were published but not put into effect as of the final date of the financial statements, will not have a significant effect on the accounting policies, financial status and performance of the Bank.

In addition, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in IFRS 9, TAS 39, IFRS 7, IFRS 4 and IFRS 16, was published in December 2020, effective from 1 January 2021, and early implementation of the changes is allowed. With the amendments made, certain exceptions are provided for the basis used in determining contractual cash flows and hedge accounting provisions. The effects of the changes on the Parent Bank's financials have been evaluated and it has been concluded that there is no need for early application. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's work continues within the scope of adaptation to the changes.

###### **I.d The items which have different accounting policies applied in the preparation of the consolidated financial statements and their ratios to the total of the related items in the consolidated financial statements**

Different accounting policies are not applied in the preparation of consolidated financial statements.

##### **II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Parent Bank have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the the Parent Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Parent Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate and cross currency swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate and cross currency swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Group performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)**

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued. The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

TFRS 9 provides the option of deferring the adoption of TFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Parent Bank continues to apply the provisions of TAS 39 hedge accounting.

The Parent Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Group's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed. The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities are indicated below.

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

##### **III. Explanations on associates and subsidiaries**

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section V.

##### **IV. Explanations on forward and option contracts and derivative instruments**

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps and option agreements.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **IV. Explanations on forward and option contracts and derivative instruments (continued)**

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income"; if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transaction.

In the initial design of a derivative financial instrument as a hedge, the Parent Bank explains in writing the relationship between the hedged item and the hedging instrument, the risk management objectives and strategies of the relevant hedging transaction and the methods to measure the effectiveness of the hedging. The Parent Bank evaluates whether the hedging method is effective on the changes in the expected fair values of the related instruments during the period in which the method is applied or whether the effectiveness of each hedge in its actual results is between 80% - 125% at the beginning of the related association and in the ongoing process.

##### **V. Explanations on associates and subsidiaries**

The Parent Bank's financial subsidiaries' are reflected the consolidated financial statements according to the equity method in accordance with TAS 28 - Investment in Associates and Joint Ventures Related to the Turkish Accounting Standards. Unconsolidated and non financial subsidiaries and associates are presented in the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard with their cost values after the deduction of, if any, impairment losses.

##### **VI. Explanations on interest income and expenses**

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the IFRS 9 "Financial Instruments" standard by applying an accrual basis using the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expenses are reflected in the records with their fair values and are accounted on an accrual basis, using the effective interest method (the rate that equates the future cash flows of the financial asset or liability to its current net book value), considering the current principal amount.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **VII. Explanations on fees and commission income and expenses**

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

##### **VIII. Explanations on financial assets**

###### **Initial recognition of financial instruments**

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

###### **Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

###### **Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on financial assets (Continued)**

##### **Assessment of business model**

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intent of the management on an individual financial intermediary, so the condition is not a classification approach on the basis of a financial instrument but an evaluation by combining the financial assets. When the business model used for the management of financial assets is being evaluated, all evidence is taken into account. Such evidence includes the following:

- How the performance of financial assets held by the business model and business model is reported by the key executive personnel,
- Risks affecting the performance of the business model (financial assets held within the business model) and, in particular type of management,
- How the additional payments to the managers are determined (for example, whether additional payments are determined according to the fair value of the assets being managed or on the contractual cash flows collected).

Business model evaluation is not based on scenarios in which the operator is not expected to be at a reasonable level, such as the "worst case" or "pressure case" scenarios. The same business model does not require a change in the classification of other financial assets as long as the cash flows are realized differently from the expected future date when the business model is assessed, the error correction is made in the financial statements or all relevant information available at the time of the valuation of the business model is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how past cash flows have been taken into account along with other relevant information is also taken into account. The business models that comprise the bet are composed of three categories. These categories are as follows:

- Business model aimed to hold assets in order to collect contractual cash flows: This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Business model whose objective is to hold assets in order to collect contractual cash flows: The Parent Bank may hold financial assets in this business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Other Business Model: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on financial assets (Continued)**

##### **The contractual cash flows including solely principle and interest on principle**

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

##### **Measurement categories of financial assets and liabilities**

Financial assets are classified compliance with TFRS 9 in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

##### **a. Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

The Parent Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as "interest income" in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under "trading account income/losses" in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under "trading account income/losses".



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on financial assets (Continued)**

##### **Measurement categories of financial assets and liabilities (continued)**

##### **a. Financial assets at the fair value through profit or loss (continued)**

Syndicated loans extended to Ojer Telekomünikasyon A.Ş. (OTAŞ) in the previous periods were restructured. Within this scope, in order to form the collateral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Türk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yonetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September, 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 31 December 2020, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 136.330 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss".

Total assets amounting to TL 327.499 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports).

The main objective of the lending banks is to transfer Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. 55% of LYY Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on 19 September 2019 for the sale of its shares. In this context, necessary studies related to sales and negotiations with potential investors started.

##### **b. Financial Assets at Fair Value Through Other Comprehensive Income:**

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on financial assets (Continued)**

##### **Measurement categories of financial assets and liabilities (continued)**

##### **b. Financial Assets at Fair Value Through Other Comprehensive Income (continued):**

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

##### **c. Financial Assets Measured at Amortized Cost:**

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

In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Parent Bank, there are Consumer Price Indexed (CPI) Bonds.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **VIII. Explanations on financial assets (Continued)**

##### **c. Financial Assets Measured at Amortized Cost (continued) :**

The Parent Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements. These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

##### **d. Loans**

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the Parent Bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of ". All cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

#### **IX. Explanations on impairment of financial assets**

As of 1 January 2018, loss allowance for expected credit losses is recognised on financial assets and loans measured at amortized cost, financial assests measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based on TFRS 9 and regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans". TFRS 9 impairment requirements are not eligible for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occuring for the financial instrument.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### IX. Explanations on impairment of financial assets (continued)

##### Calculation of expected credit losses

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

Within the scope of TFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under TFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate/specilization)
- Product type
- Credit risk rating notes (ratings)
- Collateral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

Financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

##### **Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

These expected 12-month default probabilities are applied to an estimated default and are reduced by the original effective interest rate of the loan, multiplied by the loss in the expected default.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **IX. Explanations on impairment of financial assets (continued)**

##### **Calculation of expected credit losses (Continued)**

###### **Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument.

The classification method is applied according to the decision of the BRSA dated 27 March 2020 and numbered 8970 and the decision dated 8 December 2020 and numbered 9312. The bank does not have any loans in this scope.

###### **Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The classification method is applied according to the decision of the BRSA dated 17 March 2020 and numbered 8948 and the decision dated 8 December 2020 and numbered 9312. The bank does not have any loans in this scope.

##### **Debt instruments measured at fair value through other comprehensive income**

According to TFRS 9 the impairment requirements are applied for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

##### **Significant increase in credit risk**

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk). Credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **IX. Explanations on impairment of financial assets (continued)**

##### **Significant increase in credit risk (continued)**

When determining the significant increase in the parent bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring
- Based on the decision of BRSA dated 17 March 2020 and numbered 8948, 90 days delay for the classification of non-performing loans in the scope of the forth and fifth articles of Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans can be applied for 180 days until 31 December 2020 for loans that classified in stage 1 and stage 2 within the board of decision as of 17 March 2020 due to disruptions in economic and commercial activities resulting from the COVID-19. Afterwards, with the decision of the Board dated 8 December 2020 and numbered 9312, the implementation period of this regulation was extended until 30 June 2021. In this context;
  - Temporarily, the receivables cannot be collect up to 180 days can be classified in Stage 2.
  - For the customers who do not want to be delayed in overdue installments, the practice of being able to postpone installments within the scope of these periods has been started without breaking the existing restructuring contracts.
  - In the process of completing the "Garam banks protocols", it was formed as a result of extending the time to be given to time-consuming operations with a mutual agreement.

Ultimately, it was concluded that the expected credit losses to be calculated for such receivables will continue according to their own risk models used by banks in accordance with TFRS 9.

- In the decision of the BRSA dated 27 March 2020 and numbered 8970, it was decided to apply the 30-day delay period for the classification of loans in the stage 2 can used 90 days until 31 December 2020 due to the COVID-19 outbreak, and continue to calculate Expected credit losses in accordance with TFRS 9. With the decision of the Board dated 8 December 2020 and numbered 9312, the implementation period of this regulation was extended until 30 June 2021. As of 31 December 2020 the bank does not have any loans in this scope.

In the future expectations, 3 scenarios are used to be as base, bad and good. Final provisions are calculated by weighing on the possibilities given to the scenarios. Within the scope of the ECL effects of Covid-19, the weight of the base scenario was decreased of 3 scenarios, and weights of the bad and very bad scenarios was increased. Also for possible effects the Bank has established additional provisions for the sector and customers, which are considered to have a high impact on the expected credit loss calculations by making individual assessment for the risks that cannot be captured through the models.

This approach, which is preferred in expected credit losses calculations will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **X. Explanations on offsetting, derecognition and restructuring of financial instruments**

##### **a. Offsetting of financial instruments**

Financial assets and liabilities are offset when the Parent Bank has a legally enforceable right to set off, and when the Parent Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Parent Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

##### **b. Derecognition of financial instruments**

###### **Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

###### **Derecognition of financial assets without any change in contractual terms**

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

##### **Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

##### **c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

The Bank has fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in Section 3, Note VIII.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **X. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)**

##### **d. Restructuring and refinancing of financial instruments**

The Parent Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Parent Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Restuctured Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist in accordance with the legislation when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/refinancing.

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met in accordance with the relevant legislation:

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XI. Explanations on sales and repurchase agreements and lending of securities**

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts.

The repurchase agreements of the Group are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments.

The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements” account in the balance sheet.

##### **XII. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group). As of 31 December 2020, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I.16. A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XIII. Explanations on goodwill and other intangible assets**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

##### **XIV. Explanations on tangible assets**

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

As of the third quarter of 2015, the Group changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XIV. Explanations on tangible assets (continued)

The positive difference between appraisal value and net book value of the property is accounted under shareholder' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Buildings	50	2
Other Tangible Assets	1-50	2-100

#### Investment Properties

Investment properties are real estate held to earn rent income, gain in value or both. An investment property is recognized as an asset if it is probable that future economic benefits related to the property will be available to operate and the cost of the investment property can be reliably measured. The fair value model has been chosen for valuation of investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

#### XV. Explanations on leasing transactions

##### TFRS 16 Leases

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply "TFRS 16 Leases" Standard starting from 1 January 2019. The Bank has applied TFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application TFRS 16 are stated below.

##### Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes

- the amount of lease liabilities recognised,
- initial direct costs incurred,
- lease payments made at or before the commencement date less any lease incentives received.

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XV. Explanations on leasing transactions (continued)**

##### **IFRS 16 Leases (continued)**

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### **Lease Liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include

- a) fixed payments (including in-substance fixed payments) less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate,
- c) amounts expected to be paid under residual value guarantees.
- d) the exercise price of a purchase option reasonably certain to be exercised by the Company/the Group and payments of penalties for terminating a lease,
- e) if the lease term reflects the Company/the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company/the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- a) The book value is increased to reflect the accretion of interest of lease liabilities
- b) The book value is reduced to reflect the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XV. Explanations on leasing transactions (continued)**

##### **IFRS 16 Leases (continued)**

##### **Short-term leases and leases of low-value assets**

The Parent Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of lowvalue assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### **The Group as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

##### **The Group as Lessee**

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

In accordance with IFRS 16, the lessee, at the effective date of the lease, measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use related to the same date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The interest expense on the lease liability and the depreciation expense on right of use are recorded separately.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority ("POA") has changed to IFRS 16 "Leases" standard by publishing Privileges Granted in Lease Payments - "Amendments to IFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Parent Bank.

#### **XVI. Explanations on provisions and contingent liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Group discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Parent Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material. Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Group.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

#### **XVI. Explanations on provisions and contingent liabilities (Continued)**

##### ***Explanations on contingent assets***

Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Parent Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred.

#### **XVII. Explanations on liabilities regarding employee benefits**

Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal. The Group calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XVII. Explanations on liabilities regarding employee benefits (continued)**

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 and Law no 5510 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and law no 6645 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021. There is no need for technical or actual deficit to book provision as of 31 December 2020. In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

##### **XVIII. Explanations on taxation**

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 2019: 22%). In accordance with the Temporary Article 10 added to the Corporate Tax Law, Corporate Tax applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Due to the completion of the temporary tax rate change on corporate tax at the rate of 22% as of 2020 with the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, for the temporary differences that are expected to occur or to be closed in 2021 and after, the Bank has used 20% tax rate while preparing the financial statements.

The Parent Bank started calculating deferred tax for the expected credit losses for stage 1 and stage 2.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION THREE (Continued)**

#### **ACCOUNTING POLICIES (Continued)**

##### **XVIII. Explanations on taxation (continued)**

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

##### ***Transfer pricing***

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing Through Camouflage of Earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing". According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

##### **XIX. Additional explanations on borrowings**

The Parent Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed. The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value.

##### **XX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 26 March 2020, it has been resolved that, the Parent Bank has no capital increase.

Prior period, in the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Parent Bank has no capital increase.

##### **XXI. Explanations on acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

##### **XXII. Explanations on government incentives**

The Parent Bank does not use government incentives.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XXIII. Explanations on segment reporting

In accordance with its mission, the Parent Bank mainly operates in corporate and investment banking segments. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	1.005.305	994.178	22.902	2.022.385
Net Fees and Commission Income	34.184	15.961	68.770	118.915
Other Income	-	40.168	173.067	213.235
Other Expense	(1.010.132)	(42.045)	(366.011)	(1.418.188)
Profit Before Tax	29.357	1.008.262	(101.272)	936.347
Tax Provision				(226.874)
<b>Net Profit</b>				<b>709.473</b>
Group's profit/loss				712.294
Minority share profit/loss				(2.821)
<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	37.634.445	11.297.445	2.847.188	51.779.078
Investment in Associates and Subsidiaries	-	-	651.842	651.842
<b>Total Assets</b>	<b>37.634.445</b>	<b>11.297.445</b>	<b>3.499.030</b>	<b>52.430.920</b>
Segment Liabilities	42.617.741	1.045.241	2.637.169	46.300.151
Shareholders' Equity	-	-	6.130.769	6.130.769
<b>Total Liabilities</b>	<b>42.617.741</b>	<b>1.045.241</b>	<b>8.767.938</b>	<b>52.430.920</b>

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XXIII. Explanations on segment reporting (continued)**

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	658.794	1.273.043	(20.553)	1.911.284
Net Fees and Commission Income	26.162	3.596	35.345	65.103
Other Income	13.780	-	78.468	92.248
Other Expense	(475.376)	(471.177)	(188.609)	(1.135.162)
Profit Before Tax	223.360	805.462	(95.349)	933.473
Tax Provision				(197.332)
<b>Net Profit</b>				<b>736.141</b>
Group's profit/loss				730.504
Minority share profit/loss				5.637
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	30.810.345	8.959.572	2.009.759	41.779.676
Investment in Associates and Subsidiaries	-	-	473.335	473.335
<b>Total Assets</b>	<b>30.810.345</b>	<b>8.959.572</b>	<b>2.483.094</b>	<b>42.253.011</b>
Segment Liabilities	34.200.426	1.031.556	1.842.040	37.074.022
Shareholders' Equity	-	-	5.178.989	5.178.989
<b>Total Liabilities</b>	<b>34.200.426</b>	<b>1.031.556</b>	<b>7.021.029</b>	<b>42.253.011</b>

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION FOUR**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**

##### **I. Explanations related to consolidated shareholders' equity**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of 31 December 2020, the capital adequacy ratio of Bank has been calculated as 19,37% (31 December 2019: 17,39%).

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 year-end exchange rates in calculating of the amount of subject to credit risk while calculation on amounts valued in accordance with TAS and the related specific provision except of monetary and non-monetary items in foreign currency measured in terms of the historical cost in accordance with Regulation on Measurement and Assessment of Capital Adequacy of and if the net valuation differences of the securities owned by the banks; with the decision dated 8 December 2020 and numbered 9312, the Central Bank of the last 252 business days before the calculation date enabled the use of the simple arithmetic average of the foreign exchange buying rates. In addition, based on the decision dated 23 March 2020, before 23 March 2020 in the portfolio of "Fair value through other comprehensive income" are negative, these negative differences may not be taken into account of calculation in accordance with the Regulation on Banks' Equity and used for capital adequacy ratio due to the fluctuations in the financial markets as a result of the COVID-19 epidemic.

Since the sum of the valuation differences of the securities included in the portfolio of "Securities with Fair Value Differences Reflected in Other Comprehensive Income" is positive, the Bank did not use the regulation of the BRSA in this period.

In addition, according to BRSA 16 April 2020 judgment it was decided to apply 0% risk weight in the calculation of amount subject to credit risk of the banks receivables from Central Management of Republic of Turkey and issued in FX in accordance with Standard Approach within the scope of Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to consolidated shareholders' equity (continued)

	Consolidated Current Period	Consolidated Prior Period
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	776	530
Reserves	1.947.077	1.226.589
Other comprehensive income according to TAS	706.649	479.966
Profit	712.819	704.226
Current Period Profit	712.294	730.504
Prior Period Profit	525	(26.278)
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	54.170	38.090
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>6.221.865</b>	<b>5.249.775</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	91.096	70.786
Leasehold improvements on operational leases	1.650	2.606
Goodwill (net of related tax liability)	1.005	1.005
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	4.061	4.069
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	62.518	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated shareholders' equity (continued)

	Consolidated Current Period	Consolidated Prior Period
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>160.330</b>	<b>78.466</b>
<b>Core Equity Tier I Capital</b>	<b>6.061.535</b>	<b>5.171.309</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred stock not included in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to consolidated shareholders' equity (continued)

	Consolidated Current Period	Consolidated Prior Period
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>6.061.535</b>	<b>5.171.309</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	2.200.500	1.774.800
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	518.126	504.412
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
<b>Tier II Capital Before Deductions</b>	<b>2.718.626</b>	<b>2.279.212</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2.718.626</b>	<b>2.279.212</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>8.780.161</b>	<b>7.450.521</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****I. Explanations related to consolidated shareholders' equity (continued)**

	<b>Consolidated Current Period</b>	<b>Consolidated Prior Period</b>
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	8.780.161	7.450.521
Total Risk Weighted Assets	45.335.598	42.842.113
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	13,37	12,07
Consolidated Tier I Capital Adequacy Ratio (%)	13,37	12,07
Consolidated Capital Adequacy Ratio (%)	19,37	17,39
<b>BUFFERS</b>		
Total buffer requirement (%)	2,510	2,510
Capital conservation buffer requirement (%)	2,500	2,500
Bank specific counter-cyclical buffer requirement (%)	0,010	0,010
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	7,37	6,07
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	606.988	491.777
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to consolidated shareholders' equity (continued)

	Consolidated Current Period	Consolidated Prior Period
<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	1.042.535	554.358
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	518.126	504.412
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

##### Explanations on the reconciliation between amounts related to equity items and on balance sheet

There are no differences between the amounts related to equity items and on balance sheet figures.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to consolidated shareholders' equity (continued)

###### Details on Subordinated Liabilities

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominique on Subordinated Liabilities of CMB numbered CMB-II-31.1
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date - Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Debt Instruments
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5th year)
Subsequent call dates, if applicable	After 5th year only for once
<b>Interest and Dividen Payments</b>	
Fixed or floating dividend/coupon	Fixed/semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to consolidated shareholders' equity (continued)

	Convertible or non-convertible
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
	Write-down feature
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

##### II. Explanations related to consolidated credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to consolidated credit risk (continued)**

**Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types**

	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>	Risk Amount <sup>(1)</sup>	Average Risk Amount <sup>(2)</sup>
Exposures to sovereigns and their central banks	8.651.939	7.847.543	7.542.220	6.970.101
Exposures to regional and local governments	3.000	3.000	3.000	3.000
Exposures to administrative bodies and noncommercial entities	71.527	16.802	5.988	31.219
Exposures to multilateral development banks	17.725	20.102	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	4.266.775	4.091.616	3.395.950	4.796.142
Exposures to corporates	67.821.255	57.972.635	55.099.741	52.164.134
Retail exposures	-	-	-	-
Exposures secured by property	1.643.174	1.624.778	1.624.869	1.516.447
Past due receivables	888.831	720.798	749.429	555.963
Exposures in higher-risk categories	717.375	654.395	626.348	357.746
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	6.171	2.431	-	-
Equity investments	810.992	726.008	654.308	571.021
Other exposures	1.253.288	1.364.234	1.012.475	1.232.226

<sup>(1)</sup> Includes total risk amounts before the effect of credit risk mitigation.

<sup>(2)</sup> Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The first 100 and 200 largest cash loans constitute 76,42% and 94,08% of the total cash loans portfolio of the Group respectively (31 December 2019: 72,86% and 91,90%).

The first 100 and 200 largest non cash loans constitute 93,23% and 93,24% of the total non cash loans portfolio of the Group respectively (31 December 2019: 100% and 100%).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated credit risk (continued)

The first 100 and 200 largest cash and non cash loans constitute 75,76% and 93,36% of the total on and off balance sheet accounts of the Group respectively (31 December 2019: 72,29% and 91,31%).

The Group calculated the expected credit loss provision amounting to TL 1.046.687 in accordance with stage 1 and stage 2 TFRS 9 impairment model (31 December 2019: TL 557.848).

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to the Parent Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Parent Bank's internal ratings.

Information of credit amounts rated by internal rating model is given table below for the current period.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	9.921.945	9.281.586
Average Grade	23.514.681	20.299.648
Below Average Grade	8.051.381	5.408.531
Impaired <sup>(1)</sup>	1.693.083	1.109.953
<b>Total</b>	<b>43.181.090</b>	<b>36.099.718</b>

<sup>(1)</sup> Loans belong to the financial subsidiaries subject to line-by-line consolidation method are considered as unrated.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 44.582.459 (31 December 2019: TL 36.456.303) and TL 1.461.359 (31 December 2019: TL 356.585) of these customers have not been rated.

In cases where financial institutions do not have their own external ratings, the credit quality of the bank, which is the main shareholder of the financial institution, is evaluated as an average, taking into account the external rating of the bank.

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

	Current Period <sup>(1)</sup>			Total	Prior Period			Total
	31- 60 Days	61- 90 Days	Other		31- 60 Days	61- 90 Days	Other	
Corporate Loans	5	-	-	5	1.255	-	-	1.255
SME Loans	723	-	-	723	731	-	-	731
Consumer Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>728</b>	<b>1.986</b>	<b>-</b>	<b>-</b>	<b>1.986</b>

<sup>(1)</sup> Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 7.585.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Profile of Significant Exposures in Major Region

	Risk Types <sup>(1)</sup>																
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Current Period																	
Domestic	8.540.564	600	14.306	-	-	2.601.047	36.512.585	-	1.643.174	888.831	95.850	-	-	6.171	153.915	812.501	51.269.544
European Union (EU) Countries	-	-	-	3.984	-	226.993	-	-	-	-	-	-	-	-	68.670	113.191	412.838
OECD Countries <sup>(2)</sup>	-	-	-	-	-	2.255	-	-	-	-	-	-	-	-	-	-	2.255
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	283.663	-	-	-	-	-	-	-	-	-	-	283.663
Other Countries	-	-	-	13.741	-	75.334	141.052	-	-	-	-	-	-	-	-	-	230.127
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	588.407	-	588.407
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32.000	32.000
<b>Total</b>	<b>8.540.564</b>	<b>600</b>	<b>14.306</b>	<b>17.725</b>	<b>-</b>	<b>3.189.292</b>	<b>36.653.637</b>	<b>-</b>	<b>1.643.174</b>	<b>888.831</b>	<b>95.850</b>	<b>-</b>	<b>-</b>	<b>6.171</b>	<b>810.992</b>	<b>957.692</b>	<b>52.818.834</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Profile of Significant Exposures in Major Region (continued)

Prior Period	Risk Types <sup>(1)</sup>																
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Domestic	7.516.926	3.000	1.198	-	-	1.924.631	31.566.989	-	1.651.791	749.429	77.654	-	-	-	592.086	766.283	44.849.987
European Union (EU) Countries	-	-	-	-	-	249.122	-	-	-	-	-	-	-	-	53.806	96.782	399.710
OECD Countries <sup>(2)</sup>	-	-	-	-	-	10.001	-	-	-	-	-	-	-	-	-	-	10.001
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	172.899	-	-	-	-	-	-	-	-	-	-	172.899
Other Countries	-	-	-	-	-	-	123.972	-	-	-	-	-	-	-	-	-	123.972
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.416	-	8.416
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	1.460	-	-	-	-	-	-	-	-	52.416	53.876
<b>Total</b>	<b>7.516.926</b>	<b>3.000</b>	<b>1.198</b>	<b>-</b>	<b>-</b>	<b>2.356.653</b>	<b>31.692.421</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654.308</b>	<b>915.481</b>	<b>45.618.861</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

## TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Explanations related to credit risk (continued)

##### Risk profile by sectors or counterparties

Current Period	Risk Types <sup>(1)</sup>																TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and non-commercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective undertakings	Equity investments	Other exposures			
Agriculture	-	-	-	-	-	-	25.496	-	-	4.185	-	-	-	-	-	-	23.751	5.930	29.681
Farming and Stockbreeding	-	-	-	-	-	-	25.496	-	-	4.185	-	-	-	-	-	-	23.751	5.930	29.681
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	25.038.144	357.065	715.447	95.850	-	-	-	-	-	-	1.923.116	24.283.390	26.206.506
Mining and Quarrying	-	-	-	-	-	-	593.263	-	30.310	-	-	-	-	-	-	-	1	623.572	623.573
Production	-	-	-	-	-	-	7.818.802	272.677	7.345	-	-	-	-	-	-	-	907.845	7.190.979	8.098.824
Electricity, Gas and Water	-	-	-	-	-	-	16.626.079	54.078	708.102	95.850	-	-	-	-	-	-	1.015.270	16.468.839	17.484.109
Construction	-	-	-	-	-	-	1.535.249	214.605	9.190	-	-	-	-	-	-	-	404.500	1.354.544	1.759.044
Services	949.243	-	14.232	17.725	-	3.189.292	9.516.923	1.061.346	160.009	-	-	-	-	6.171	746.588	113.287	4.152.682	11.622.134	15.774.816
Wholesale and Retail Trade	-	-	-	-	-	-	440.212	23.160	63.432	-	-	-	-	-	-	74	112.821	414.057	526.878
Accommodation and Dining	-	-	-	-	-	-	686.424	818.635	-	-	-	-	-	597	-	-	83.397	1.422.259	1.505.656
Transportation and Telecommunication	-	-	-	-	-	-	2.085.986	25.629	96.577	-	-	-	-	-	2.123	-	99.335	2.110.980	2.210.315
Financial Institutions	949.243	-	14.232	17.725	-	3.189.292	4.401.995	-	-	-	-	-	-	6.171	735.281	113.213	3.691.184	5.735.968	9.427.152
Real Estate and Rental Services	-	-	-	-	-	-	145.217	-	-	-	-	-	-	-	-	-	109.045	36.172	145.217
Professional Services	-	-	-	-	-	-	394.688	91.145	-	-	-	-	-	8.587	-	-	9.036	485.384	494.420
Educational Services	-	-	-	-	-	-	202.962	13.895	-	-	-	-	-	-	-	-	47.849	169.008	216.857
Health and Social Services	-	-	-	-	-	-	1.159.439	88.882	-	-	-	-	-	-	-	-	15	1.248.306	1.248.321
Others	7.591.321	600	74	-	-	-	537.825	10.158	-	-	-	-	-	64.404	844.405	5.639.148	3.409.639	9.048.787	
<b>Total</b>	<b>8.540.564</b>	<b>600</b>	<b>14.306</b>	<b>17.725</b>	-	<b>3.189.292</b>	<b>36.653.637</b>	<b>1.643.174</b>	<b>888.831</b>	<b>95.850</b>	-	-	-	<b>6.171</b>	<b>810.992</b>	<b>957.692</b>	<b>12.143.197</b>	<b>40.675.637</b>	<b>52.818.834</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

#### Profile of Significant Exposures in Major Region (continued)

Prior Period	Risk Types <sup>(1)</sup>																TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and non-commercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures			
Agriculture	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	340	29.284	8.781	38.065	
Farming and Stockbreeding	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	-	28.944	8.781	37.725	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	20.658.810	-	372.166	670.336	77.654	-	-	-	-	-	1.304.441	20.474.525	21.778.966	
Mining and Quarrying	-	-	-	-	-	577.828	-	16.880	-	-	-	-	-	-	-	-	594.708	594.708	
Production	-	-	-	-	-	6.383.976	-	343.041	7.737	7	-	-	-	-	-	734.052	6.000.709	6.734.761	
Electricity, Gas and Water	-	-	-	-	-	13.697.006	-	12.245	662.599	77.647	-	-	-	-	-	570.389	13.879.108	14.449.497	
Construction	-	-	-	-	-	1.073.133	-	336.448	1.880	-	-	-	-	-	-	240.758	1.170.703	1.411.461	
Services	804.012	-	1.128	-	-	2.356.653	9.732.880	928.324	74.423	-	-	-	-	654.308	96.863	3.001.001	11.647.590	14.648.591	
Wholesale and Retail Trade	-	-	-	-	-	580.608	-	6.598	74.423	-	-	-	-	-	50	236.603	425.076	661.679	
Accommodation and Dining	-	-	-	-	-	461.016	-	676.998	-	-	-	-	-	2.250	-	89.060	1.051.204	1.140.264	
Transportation and Telecommunication	-	-	-	-	-	2.267.775	-	-	-	-	-	-	-	65.459	-	86.344	2.246.890	2.333.234	
Financial Institutions	804.012	-	1.128	-	-	2.356.653	3.673.536	-	-	-	-	-	-	581.489	96.811	2.054.306	5.459.323	7.513.629	
Real Estate and Rental Services	-	-	-	-	-	277.980	-	-	-	-	-	-	-	-	-	7.816	270.164	277.980	
Professional Services	-	-	-	-	-	1.472.909	-	-	-	-	-	-	-	5.110	2	467.563	1.010.458	1.478.021	
Educational Services	-	-	-	-	-	192.336	-	17.395	-	-	-	-	-	-	-	50.094	159.637	209.731	
Health and Social Services	-	-	-	-	-	806.720	-	227.333	-	-	-	-	-	-	-	9.215	1.024.838	1.034.053	
Others	6.712.914	3.000	70	-	-	192.663	-	14.853	-	-	-	-	-	-	818.278	5.307.892	2.433.886	7.741.778	
<b>Total</b>	<b>7.516.926</b>	<b>3.000</b>	<b>1.198</b>	-	-	<b>2.356.653</b>	<b>31.692.421</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	-	-	-	<b>654.308</b>	<b>915.481</b>	<b>9.883.376</b>	<b>35.735.485</b>	<b>45.618.861</b>	

<sup>(1)</sup> Since there is no securitization position, the risk class of "Securitization positions" is not included. Credit conversion ratio and risk amounts after credit risk reduction are included.



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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to consolidated credit risk (continued)****Analysis of maturity-bearing exposures according to remaining maturities**

<b>Risk Types</b>	<b>Term to Maturity</b>				
	<b>1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>
<b>Current Period <sup>(1)</sup></b>					
Exposures to sovereigns and their central banks	1.111.181	218.017	314.697	230.534	6.055.938
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	14.231	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	1.575.601	515.510	479.769	-	506.965
Exposures to corporates	1.984.131	1.497.077	1.231.502	2.064.062	29.466.147
Retail exposures	-	-	-	-	-
Exposures secured by property	4.666	2.986	1.705	23.461	1.610.357
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	225	51.474
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	74	-	352	924	24.424
<b>Total</b>	<b>4.689.884</b>	<b>2.233.590</b>	<b>2.028.025</b>	<b>2.319.206</b>	<b>37.715.305</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to consolidated credit risk (continued)****Analysis of maturity-bearing exposures according to remaining maturities (continued)**

<b>Risk Types</b>	<b>Term to Maturity</b>					
	<b>Prior Period <sup>(1)</sup></b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>
Exposures to sovereigns and their central banks		843.155	358.011	391.497	158.809	4.875.385
Exposures to regional and local governments		-	-	-	-	-
Exposures to administrative bodies and noncommercial entities		1.128	-	-	-	-
Exposures to multilateral development banks		-	-	-	-	-
Exposures to international organizations		-	-	-	-	-
Exposures to banks and securities firms		884.992	379.006	380.933	308.290	336.065
Exposures to corporates		2.232.678	968.321	1.217.869	2.043.538	24.895.086
Retail exposures		-	-	-	-	-
Exposures secured by property		-	-	15.553	30.821	1.605.416
Past due receivables		-	-	-	-	-
Exposures in higher-risk categories		7.920	292	-	140	41.989
Exposures in the form of bonds secured by mortgages		-	-	-	-	-
Securitization positions		-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates		-	-	-	-	-
Equity investments in the form of collective investment undertakings		-	-	-	-	-
Equity investments		-	-	-	-	-
Other exposures		140.927	-	247	-	13.190
<b>Total</b>		<b>4.110.800</b>	<b>1.705.630</b>	<b>2.006.099</b>	<b>2.541.598</b>	<b>31.767.131</b>

<sup>(1)</sup> Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated credit risk (continued)

##### Credit risk under standard approach

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in capital adequacy calculation regarding exposures to banks and securities firms and central sovereigns and central bank. Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Risk Types		
			Claims on Banks and Capital Market Intermediary Claims with Original Maturities Less Than 3 Months	Claims on Corporate Receivables	Claims with Original Maturities More Than 3 Months
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	Unrated	100%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	100%

<sup>(1)</sup> Used in case when the risk weight of the sovereign of the Bank's country is not higher.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to consolidated credit risk (continued)****Exposures by risk weights**

<b>Current Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation <sup>(1)</sup>	8.461.656	-	2.758.922	5.026.645	-	36.083.594	87.084	-	606.988	69.234
Exposures After Credit Risk Mitigation	8.558.309	-	2.758.922	6.669.819	-	34.137.712	87.084	-	606.988	69.234

<sup>(1)</sup>The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

<b>Prior Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation <sup>(1)</sup>	5.098.040	-	1.430.240	477.560	-	38.135.325	79.240	-	491.777	7.680
Exposures After Credit Risk Mitigation	5.245.019	-	1.430.240	2.129.351	-	36.243.234	79.240	-	491.777	7.680

<sup>(1)</sup>The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Information of major sectors or type of counterparties

The Parent Bank's all impaired and non-performing receivables comprise of domestic receivables.

Current Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Losses (IFRS 9)
Agriculture	-	27.899	23.714
Farming and Stockbreeding	-	27.899	23.714
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	2.856.472	1.273.148	911.367
Mining and Quarrying	-	197	197
Production	1.315.485	19.776	163.186
Electricity, Gas and Water	1.540.987	1.253.175	747.984
Services	1.164.810	344.373	329.532
Wholesale and Retail Trade	169.817	129.131	94.979
Accommodation and Dining	-	679	679
Transportation and Telecommunication	275.084	206.029	137.951
Financial Institutions	-	2.536	2.536
Real Estate, Rental and Management Services	111.867	5.814	13.914
Professional Services	-	184	184
Educational Services	-	-	-
Health and Social Services	608.042	-	79.289
Others	325.986	44.368	67.575
<b>Total</b>	<b>4.347.268</b>	<b>1.689.788</b>	<b>1.332.188</b>

<sup>(1)</sup> Includes breakdown of cash loans and financial lease receivables.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Information of major sectors or type of counterparties (continued)

Prior Period Major Sectors/Counterparties	Loans <sup>(1)</sup>		Provisions
	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.898	25.108
Farming and Stockbreeding	-	27.898	25.108
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.650.408	957.369	465.954
Mining and Quarrying	-	196	196
Production	336.505	18.277	38.327
Electricity, Gas and Water	1.313.903	938.896	427.431
Services	1.547.731	117.890	205.151
Wholesale and Retail Trade	69.088	108.615	53.538
Accommodation and Dining	-	719	719
Transportation and Telecommunication	164.354	64	53.293
Financial Institutions	-	2.504	2.504
Real Estate, Rental and Management Services	926.288	5.814	46.196
Professional Services	-	174	174
Educational Services	-	-	-
Health and Social Services	388.001	-	48.727
Others	201.212	4.615	12.937
<b>Total</b>	<b>3.399.351</b>	<b>1.107.772</b>	<b>709.150</b>

<sup>(1)</sup> Includes breakdown of cash loans.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated credit risk (continued)

##### Information related with value adjustments and loan loss provisions

	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
<b>Current Period</b>					
Stage 3 Provisions	358.343	400.145	(2.134)	-	756.354
Stage 1-2 Provisions	557.848	512.059	(23.999)	-	1.046.687
<b>Prior Period</b>					
Stage 3 Provisions	169.489	198.069	(9.215)	-	358.343
Stage 1-2 Provisions	364.231	193.648	31	-	557.848

##### Exposures Subject to Countercyclical Capital Buffer

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

##### Information about receivables from consolidated private sector:

Current Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
<b>Country risk taken ultimately</b>			
United States	92.457	-	92.457
Georgia	141.049	-	141.049
England	94.969	-	94.969
Luxembourg	181.862	-	181.862
Turkey	38.871.854	-	38.871.854
<b>Total</b>	<b>39.382.191</b>	-	<b>39.382.191</b>
<b>Prior Period</b>			
<b>Country risk taken ultimately</b>			
United States	39.819	-	39.819
Georgia	123.972	-	123.972
England	51.710	-	51.710
Turkey	37.527.324	-	37.527.324
<b>Total</b>	<b>37.742.825</b>	-	<b>37.742.825</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to consolidated currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
<b>The Parent Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2020	7,3350	9,0193
<b>Prior Five Workdays:</b>		
30 December 2020	7,3250	9,0016
29 December 2020	7,4025	9,0606
28 December 2020	7,5275	9,1970
25 December 2020	7,5375	9,1941
24 December 2020	7,6030	9,2786

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 7,6819 and 9,3510 respectively.



## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### III. Explanations related to consolidated currency risk (continued)

##### Information on the Group's foreign currency risk:

	Euro	US Dollar	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	442.443	578.939	-	1.021.382
Banks	108.757	229.360	4.416	342.533
Financial Assets at Fair Value Through Profit and Loss <sup>(1)</sup>	119.055	526.614	561	646.230
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	77.394	2.619.336	-	2.696.730
Loans <sup>(2)</sup>	16.192.854	18.387.438	-	34.580.292
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	363.157	-	363.157
Derivative Financial Assets for Hedging Purposes	-	334.421	-	334.421
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(3)</sup>	259.410	199.865	-	459.275
<b>Total Assets</b>	<b>17.199.913</b>	<b>23.239.130</b>	<b>4.977</b>	<b>40.444.020</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	213.896	109.809	-	323.705
Funds Provided From Other Financial Institutions	14.234.091	17.978.134	-	32.212.225
Marketable Securities Issued <sup>(4)</sup>	-	10.320.778	-	10.320.778
Miscellaneous Payables	18.220	187.816	477	206.513
Derivative Financial Liabilities for Hedging Purposes <sup>(5)</sup>	-	-	-	-
Other Liabilities <sup>(6)</sup>	130.968	303.744	175	434.887
<b>Total Liabilities</b>	<b>14.597.175</b>	<b>28.900.281</b>	<b>652</b>	<b>43.498.108</b>
<b>Net Balance Sheet Position</b>	<b>2.602.738</b>	<b>(5.661.151)</b>	<b>4.325</b>	<b>(3.054.088)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2.209.458)</b>	<b>6.268.198</b>	<b>(2.333)</b>	<b>4.056.407</b>
Financial Derivative Assets	1.479.327	7.944.254	149.341	9.572.922
Financial Derivative Liabilities	(3.688.785)	(1.676.056)	(151.674)	(5.516.515)
Non-Cash Loans <sup>(7)</sup>	1.875.631	2.705.274	1.876	4.582.781
<b>Prior Period</b>				
Total Assets	14.229.855	18.297.661	9.167	32.536.683
Total Liabilities	12.298.039	22.513.119	1.362	34.812.520
<b>Net Balance Sheet Position</b>	<b>1.931.816</b>	<b>(4.215.458)</b>	<b>7.805</b>	<b>(2.275.837)</b>
<b>Net Off -Balance Sheet Position</b>	<b>(2.069.575)</b>	<b>4.460.081</b>	<b>(7.788)</b>	<b>2.382.718</b>
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(3.107.098)	(2.614.729)	(157.686)	(5.879.513)
Non-Cash Loans <sup>(7)</sup>	1.806.354	2.287.913	2.715	4.096.982

<sup>(1)</sup> Exchange rate differences arising from derivative transactions amounting to TL 77.674 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

<sup>(2)</sup> Loans include TL 1.410.644 foreign currency indexed loans, TL 205.726 financial lease receivables, TL 929.979 non-performing loans, and TL (335.780) credit-impaired losses (stage III/specific provision).

<sup>(3)</sup> Prepaid expenses amounting to TL 2.923, Forward foreign exchange purchase transaction discounts amounting to TL 54 and 12 months expected credit loss for other assets amounting to TL (3.389) are not included other assets.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(5)</sup> Derivative financial assets for hedging purposes has classified in line of derivative financial assets in financial statement. Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement. (154.049) TL of foreign exchange difference accrual has been deducted from "Hedging Derivative Financial Assets".

<sup>(6)</sup> Exchange rate differences arising from derivative transactions amounting to TL 76.825, and other provisions amounting to TL 29.593 have not been included in "Other Liabilities".

<sup>(7)</sup> Has no effect on net off-balance sheet position.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to consolidated currency risk (continued)

The Group is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	48.573	23.918	12.132	544
Euro	10	39.328	(13.807)	-	31
Other	10	199	2	-	-

	Decrease in Currency Rate	Effect on Profit/Loss <sup>(1)</sup>		Effect on Equity <sup>(2)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(48.573)	(23.918)	(12.132)	(544)
Euro	10	(39.328)	13.807	-	(31)
Other	10	(199)	(2)	-	-

<sup>(1)</sup> Values expressed are before the tax effect.

<sup>(2)</sup> Effect on equity does not include effect on profit/loss.

##### IV. Explanations related to consolidated interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of the Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IV. Explanations related to consolidated interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	2.166	-	-	-	-	1.020.917	1.023.083
Banks <sup>(2)</sup>	290.951	7.699	-	-	-	129.795	428.445
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	56.769	396.449	350.681	439.451	360.680	16.327	1.620.357
Money Market Placements <sup>(2)</sup>	629.779	423.971	370.281	-	-	-	1.424.031
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	59.691	432.106	795.592	1.738.026	1.407.390	169.334	4.602.139
Loans <sup>(2)</sup>	7.048.759	6.354.006	10.333.064	6.794.781	7.091.896	-	37.622.506
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	418.347	1.113.699	1.185.037	-	362.781	-	3.079.864
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	2.566.092	2.630.495
<b>Total Assets</b>	<b>8.506.462</b>	<b>8.727.930</b>	<b>13.034.655</b>	<b>9.036.661</b>	<b>9.222.747</b>	<b>3.902.465</b>	<b>52.430.920</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.390.126	-	-	-	-	-	1.390.126
Miscellaneous Payables	-	-	-	-	-	250.136	250.136
Marketable Securities Issued <sup>(4)</sup>	50.966	-	2.221.421	8.099.357	-	390.145	10.761.889
Funds Provided from Other Financial Institutions	3.374.774	8.045.586	12.897.663	3.636.946	4.377.241	-	32.332.210
Other Liabilities	78.372	79.371	111.913	395.486	242.727	6.788.690	7.696.559
<b>Total Liabilities</b>	<b>4.894.238</b>	<b>8.124.957</b>	<b>15.230.997</b>	<b>12.131.789</b>	<b>4.619.968</b>	<b>7.428.971</b>	<b>52.430.920</b>
<b>Balance Sheet Long Position</b>	<b>3.612.224</b>	<b>602.973</b>	-	-	<b>4.602.779</b>	-	<b>8.817.976</b>
<b>Balance Sheet Short Position</b>	-	-	<b>(2.196.342)</b>	<b>(3.095.128)</b>	-	<b>(3.526.506)</b>	<b>(8.817.976)</b>
Off-Balance Sheet Long Position	-	-	405.243	3.126.618	927.267	-	4.459.128
Off-Balance Sheet Short Position	(2.184.062)	(2.162.299)	-	-	-	-	(4.346.361)
<b>Total Position</b>	<b>1.428.162</b>	<b>(1.559.326)</b>	<b>(1.791.099)</b>	<b>31.490</b>	<b>5.530.046</b>	<b>(3.526.506)</b>	<b>112.767</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IV. Explanations related to consolidated interest rate risk (continued)

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	803.582	-	-	-	-	30	803.612
Banks <sup>(2)</sup>	105.873	106.217	-	-	-	45.218	257.308
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	187.104	401.575	320.280	156.641	168.514	7.135	1.241.249
Money Market Placements <sup>(2)</sup>	252.767	273.232	252	-	-	-	526.251
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	159.716	436.915	1.147.301	1.646.055	679.717	116.569	4.186.273
Loans <sup>(2)</sup>	5.613.551	7.365.035	8.697.347	5.230.649	3.855.703	-	30.762.285
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	338.296	994.092	950.535	-	298.876	-	2.581.799
Other Assets <sup>(2)</sup>	-	-	-	64.403	-	1.829.831	1.894.234
<b>Total Assets</b>	<b>7.460.889</b>	<b>9.577.066</b>	<b>11.115.715</b>	<b>7.097.748</b>	<b>5.002.810</b>	<b>1.998.783</b>	<b>42.253.011</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.197.709	-	-	-	-	(342)	1.197.367
Miscellaneous Payables	-	-	-	-	-	128.262	128.262
Marketable Securities Issued <sup>(4)</sup>	-	108.662	2.087.826	5.765.669	-	145.256	8.107.413
Funds Provided from Other Financial Institutions	3.892.357	6.211.730	9.490.539	2.692.067	4.341.632	-	26.628.325
Other Liabilities	130.310	222.183	127.051	47.605	-	5.664.495	6.191.644
<b>Total Liabilities</b>	<b>5.220.376</b>	<b>6.542.575</b>	<b>11.705.416</b>	<b>8.505.341</b>	<b>4.341.632</b>	<b>5.937.671</b>	<b>42.253.011</b>
<b>Balance Sheet Long Position</b>	<b>2.240.513</b>	<b>3.034.491</b>	<b>-</b>	<b>-</b>	<b>661.178</b>	<b>-</b>	<b>5.936.182</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>(589.701)</b>	<b>(1.407.593)</b>	<b>-</b>	<b>(3.938.888)</b>	<b>(5.936.182)</b>
Off-Balance Sheet Long Position	-	-	-	4.035.583	673.362	-	4.708.945
Off-Balance Sheet Short Position	(1.184.952)	(1.317.889)	(1.773.188)	-	-	-	(4.276.029)
<b>Total Position</b>	<b>1.055.561</b>	<b>1.716.602</b>	<b>(2.362.889)</b>	<b>2.627.990</b>	<b>1.334.540</b>	<b>(3.938.888)</b>	<b>432.916</b>

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IV. Explanations related to consolidated interest rate risk (continued)****Average interest rates applied to monetary financial instruments: %**

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	12,00
Banks	1,64	1,11	-	16,57
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	4,34	-	13,91
Money Market Placements	-	-	-	17,15
Available-for-Sale Financial Assets	2,68	5,19	-	11,91
Loans	4,70	5,57	-	15,35
Financial Assets Measured at Amortized Cost	-	5,60	-	13,31
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	0,26	-	17,08
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	4,29	-	16,33
Borrower Funds	0,10	0,20	-	12,50
Funds Provided From Other Financial Institutions	1,06	1,49	-	11,81

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes loans measured at fair value through profit or loss.

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IV. Explanations related to consolidated interest rate risk (continued)****Average interest rates applied to monetary financial instruments in prior period: %**

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,80	1,55	-	7,60
Financial Assets at Fair Value Through Profit and Loss <sup>(2)</sup>	-	10,05	-	14,70
Money Market Placements	-	-	-	13,49
Available-for-Sale Financial Assets	4,24	4,76	-	17,49
Loans	4,59	6,72	-	17,04
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,96
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued <sup>(1)</sup>	-	5,71	-	13,10
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,11	2,88	-	10,79

<sup>(1)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(2)</sup> Includes Loans at Fair value through profit or loss.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### V. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

#### Equity shares risk due from banking book

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

<b>Current Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>559.300</b>	-	<b>1.075.082</b>
Quoted	559.300	-	1.075.082

<b>Prior Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>416.906</b>	-	<b>889.837</b>
Quoted	416.906	-	889.837

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****V. Explanations related to consolidated stock position risk (continued)****Equity shares risk due from banking book (continued)**

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Portfolio						
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	106.442	106.442	-	-	-
Other Share Certificates	-	91.277	91.277	-	-	-
<b>Total</b>	-	<b>197.719</b>	<b>197.719</b>	-	-	-

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Portfolio						
Private Equity Investments	-	38.832	38.832	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	-	-	-
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	-	<b>38.832</b>	<b>38.832</b>	-	-	-



## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Consolidated liquidity risk management and coverage ratio**

###### **1. Explanations related to the consolidated liquidity risk**

###### **1.a Information about the governance of consolidated liquidity risk management, including: risk tolerance; structure and responsibilities for consolidated liquidity risk management; internal consolidated liquidity reporting; and communication of consolidated liquidity risk strategy, policies and practices across business lines and with the board of directors**

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments. The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

As a result of the financial uncertainty caused by the coronavirus outbreak, liquidity management has been one of the top priorities of the Bank. According to the regulation published by the BRSA on 26 March 2020, for deposit banks; It was decided to provide flexibility in compliance with the minimum ratios of the Liquidity Coverage Ratio (LCR) and for development and investment banks ; in order to reduce the operational burden, it was decided to exempt the Liquidity Coverage Ratio (LCR) from the reporting obligations to the Agency until 1 January 2021.

The Bank continues to manage LCR within the framework of risk appetite by keeping its high quality liquid assets at a sufficient level.

###### **1.b Information on the centralization degree of consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries**

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

###### **1.c Information on the Parent Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Parent Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Consolidated liquidity risk management and coverage ratio (continued)**

###### **1. Explanations related to the consolidated liquidity risk (continued)**

###### **1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities:**

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

###### **1.d Information on consolidated liquidity risk mitigation techniques:**

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article C. The Parent Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

###### **1.e Information on the use of stress tests**

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Parent Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

###### **1.f General information on urgent and unexpected consolidated liquidity situation plans:**

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Parent Bank's Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Consolidated liquidity risk management and coverage ratio (continued)

##### 2. Consolidated Liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and consolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets			4.997.117	2.944.963
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	1	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	1	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.593.631	1.878.008	2.083.257	1.410.253
6 Operational deposits	78.520	69.244	19.630	17.311
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.515.111	1.808.764	2.063.627	1.392.942
9 Secured funding			-	-
10 Other Cash Outflows	406.530	527.005	406.530	527.005
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	214.319	334.794	214.319	334.794
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	192.211	192.211	192.211	192.211
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	29.416.447	24.952.180	1.470.822	1.247.609
15 Other irrevocable or conditionally revocable commitments	11.730.238	10.185.318	1.553.237	1.204.620
<b>16 TOTAL CASH OUTFLOWS</b>			<b>5.513.846</b>	<b>4.389.487</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	3.792	-	-	-
18 Unsecured Lending Transactions	3.659.852	1.613.304	2.821.122	1.062.396
19 Other contractual cash inflows	123.933	1.915.001	123.933	1.915.001
<b>20 TOTAL CASH INFLOWS</b>	<b>3.787.577</b>	<b>3.528.305</b>	<b>2.945.055</b>	<b>2.977.397</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>4.997.117</b>	<b>2.944.963</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>2.568.791</b>	<b>1.412.090</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>195</b>	<b>209</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Consolidated liquidity risk management and coverage ratio (continued)**

**2. Consolidated Liquidity Coverage Ratio (continued):**

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	High quality liquid assets		3.898.392	1.730.885
<b>CASH OUTFLOWS</b>				
2	Retail and Customers Deposits	32	5	3
3	Stable deposits	-	-	-
4	Less stable deposits	32	5	3
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.849.085	2.182.738	2.451.920
6	Operational deposits	97.764	84.500	24.441
7	Non-Operational Deposits	-	-	-
8	Other Unsecured Funding	2.751.321	2.098.238	2.427.479
9	Secured funding			-
10	Other Cash Outflows	938.988	1.482.988	938.988
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	761.155	1.305.155	761.155
12	Debts related to the structured financial products	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	177.833	177.833	177.833
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.396.531	16.430.772	1.019.827
15	Other irrevocable or conditionally revocable commitments	8.485.985	6.800.318	1.194.592
16	<b>TOTAL CASH OUTFLOWS</b>			<b>5.605.330</b>
<b>CASH INFLOWS</b>				
17	Secured Lending Transactions	122.181	-	-
18	Unsecured Lending Transactions	3.195.805	1.977.707	2.419.361
19	Other contractual cash inflows	88.241	1.339.028	88.241
20	<b>TOTAL CASH INFLOWS</b>	<b>3.406.227</b>	<b>3.316.735</b>	<b>2.507.602</b>
			<b>Upper Limit Applied Amounts</b>	
21	<b>TOTAL HQLA STOCK</b>			<b>3.898.392</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>3.097.728</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>126</b>
				<b>84</b>

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **VI. Consolidated liquidity risk management and coverage ratio (continued)**

###### **3. Minimum explanations related to the liquidity coverage ratio by Banks:**

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. For total and foreign currency limits 100% and minimum 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

On 31/10/2020, 30/11/2020 and 31/12/2020, the Total Liquidity Coverage ratio is 187,20 , 176,58 and 231,19, respectively, while the Foreign Currency Liquidity Coverage ratio is 192,50 , 197,31 and that was realized at the level of 246,11.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 28%. 5% of the Parent Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Consolidated liquidity risk management and coverage ratio (continued)

##### Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey <sup>(2)</sup>	18	1.023.063	-	-	-	-	2	1.023.083
Banks <sup>(2)</sup>	129.795	290.951	7.699	-	-	-	-	428.445
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	16.327	424.794	631.915	527.420	19.901	-	-	1.620.357
Money Market Placements <sup>(2)</sup>	-	629.779	423.971	370.281	-	-	-	1.424.031
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(2)</sup>	-	-	395.105	429.959	2.121.425	1.486.316	169.334	4.602.139
Loans <sup>(2)</sup>	-	3.138.229	1.985.255	5.492.445	18.728.689	8.277.888	-	37.622.506
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	-	304.369	-	-	2.298.737	476.758	-	3.079.864
Other Assets <sup>(2)</sup>	-	-	42.272	301.306	153.358	-	2.133.559	2.630.495
<b>Total Assets</b>	<b>146.140</b>	<b>5.811.185</b>	<b>3.486.217</b>	<b>7.121.411</b>	<b>23.322.110</b>	<b>10.240.962</b>	<b>2.302.895</b>	<b>52.430.920</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	467.522	688.499	5.003.422	13.503.479	12.669.288	-	32.332.210
Money Market Borrowings	-	1.390.126	-	-	-	-	-	1.390.126
Marketable Securities Issued <sup>(4)</sup>	-	367.103	98.885	2.458.324	7.837.577	-	-	10.761.889
Miscellaneous Payables	-	-	-	-	-	-	250.136	250.136
Other Liabilities	-	413.887	190.121	278.250	25.611	-	6.788.690	7.696.559
<b>Total Liabilities</b>	<b>-</b>	<b>2.638.638</b>	<b>977.505</b>	<b>7.739.996</b>	<b>21.366.667</b>	<b>12.669.288</b>	<b>7.038.826</b>	<b>52.430.920</b>
<b>Liquidity Gap</b>	<b>146.140</b>	<b>3.172.547</b>	<b>2.508.712</b>	<b>(618.585)</b>	<b>1.955.443</b>	<b>(2.428.326)</b>	<b>(4.735.931)</b>	<b>-</b>
Net Off-balance sheet Position	-	(64.216)	117.953	(72.020)	46.037	7.774	-	35.528
Financial Derivative Assets	-	1.986.891	2.085.736	5.536.697	15.268.806	3.179.750	-	28.057.880
Financial Derivative Liabilities	-	2.051.107	1.967.783	5.608.717	15.222.769	3.171.976	-	28.022.352
Non-cash Loans	-	260.744	336.541	2.535.054	525.831	978.073	302.595	4.938.838
<b>Prior Period</b>								
<b>Total Assets</b>	<b>52.383</b>	<b>4.458.755</b>	<b>3.115.046</b>	<b>6.067.573</b>	<b>18.966.086</b>	<b>7.060.857</b>	<b>2.532.311</b>	<b>42.253.011</b>
<b>Total Liabilities</b>	<b>(342)</b>	<b>2.358.718</b>	<b>912.443</b>	<b>6.136.602</b>	<b>16.954.525</b>	<b>10.098.308</b>	<b>5.792.757</b>	<b>42.253.011</b>
<b>Liquidity Gap</b>	<b>52.725</b>	<b>2.100.037</b>	<b>2.202.603</b>	<b>(69.029)</b>	<b>2.011.561</b>	<b>(3.037.451)</b>	<b>(3.260.446)</b>	<b>-</b>
Net Off-balance sheet Position	-	(2.079)	(179.812)	311.081	306.043	(1.212)	-	434.021
Financial Derivative Assets	-	3.421.629	2.036.215	6.244.197	12.887.416	3.742.034	-	28.331.491
Financial Derivative Liabilities	-	3.423.708	2.216.027	5.933.116	12.581.373	3.743.246	-	27.897.470
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.540	4.547.716

<sup>(1)</sup> Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(2)</sup> Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

<sup>(3)</sup> Derivative financial assets and Loans measured at fair value through profit or loss.

<sup>(4)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****VI. Consolidated liquidity risk management and coverage ratio (continued)****Analysis of financial liabilities by remaining contractual maturities**

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	465.626	680.570	5.302.500	14.474.510	13.401.621	(1.992.617)	32.332.210
Money Market Borrowings	1.392.448	-	-	-	-	(2.322)	1.390.126
Marketable Securities Issued	213.336	137.145	2.771.826	8.779.006	-	(1.139.424)	10.761.889
Funds	122.105	-	-	-	-	-	122.105
Leasing Liabilities	1.400	2.800	15.472	24.405	-	(11.188)	32.889
<b>Total</b>	<b>2.194.915</b>	<b>820.515</b>	<b>8.089.798</b>	<b>23.277.921</b>	<b>13.401.621</b>	<b>(3.145.551)</b>	<b>44.639.219</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	941.370	557.184	4.268.233	12.517.865	11.451.760	(3.108.087)	26.628.325
Money Market Borrowings	1.198.658	-	-	-	-	(1.291)	1.197.367
Marketable Securities Issued	56.942	175.394	2.353.430	6.326.035	-	(804.388)	8.107.413
Funds	58.950	-	-	-	-	-	58.950
Leasing Liabilities	17	33	1.559	3.639	17	(334)	4.913
<b>Total</b>	<b>2.255.937</b>	<b>732.611</b>	<b>6.623.222</b>	<b>18.847.539</b>	<b>11.451.777</b>	<b>(3.914.100)</b>	<b>35.996.968</b>

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Consolidated liquidity risk management and coverage ratio (continued)

##### *Analysis of financial liabilities by remaining contractual maturities (continued)*

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	3.375.099	3.913.863	10.447.985	30.349.253	6.351.726	54.437.926
Forward Contracts	312.066	204.528	692.882	142.322	-	1.351.798
Futures Transactions	-	-	-	-	-	-
Options	200.474	77.460	-	-	-	277.934
Other	70	7.955	4.549	-	-	12.574
<b>Total</b>	<b>3.887.709</b>	<b>4.203.806</b>	<b>11.145.416</b>	<b>30.491.575</b>	<b>6.351.726</b>	<b>56.080.232</b>

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.305.067	3.207.161	8.293.852	24.774.091	7.485.280	49.065.451
Forward Contracts	727.240	552.169	3.455.183	653.118	-	5.387.710
Futures Transactions	-	-	-	-	-	-
Options	813.030	492.912	428.278	41.580	-	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>6.845.337</b>	<b>4.252.242</b>	<b>12.177.313</b>	<b>25.468.789</b>	<b>7.485.280</b>	<b>56.228.961</b>



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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VII. Explanations related to consolidated leverage ratio

###### a) Information about the consolidated leverage ratio between current and prior periods

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below. As of 31 December 2020, leverage ratio of the Group calculated from the arithmetic average of the three months is 9,41% (31 December 2019: 10,57%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 33,50% compare to prior period.

###### b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS

		<b>Current Period</b>	<b>Prior Period</b>
<b>1</b>	Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(2)</sup>	48.808.928	42.775.864
<b>2</b>	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(2)</sup>	(3.621.992)	522.853
<b>3</b>	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(493.027)	(1.370.332)
<b>4</b>	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	1.200.339	1.238.940
<b>5</b>	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(4.895.145)	(2.804.361)
<b>6</b>	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	-	-
<b>7</b>	<b>Total Exposures <sup>(1)</sup></b>	<b>63.317.246</b>	<b>47.826.907</b>

<sup>(1)</sup> The arithmetic average of the last 3 months in the related periods.

<sup>(2)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2020 figures used in this table for the current period due to consolidated financial statements prepared in accordance with TAS are not prepared as of the date of this report and 31 December 2019 figures used in this table for the prior period.

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****VII. Explanations related to consolidated leverage ratio (Continued)****c) Consolidated Leverage Ratio**

	<b>Current Period<sup>(1)</sup></b>	<b>Prior Period<sup>(1)</sup></b>
<b>Balance sheet Assets</b>		
<b>1</b> Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	53.546.721	40.114.358
<b>2</b> (Assets deducted from Core capital)	(118.123)	(92.635)
<b>3</b> Total risk amount of balance sheet assets (sum of lines 1 and 2)	<b>53.428.598</b>	<b>40.021.723</b>
<b>Derivative financial assets and credit derivatives</b>		
<b>4</b> Cost of replenishment for derivative financial assets and credit derivatives	1.428.393	980.946
<b>5</b> Potential credit risk amount of derivative financial assets and credit derivatives	405.140	389.386
<b>6</b> Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	<b>1.833.533</b>	<b>1.370.332</b>
<b>Financing transactions secured by marketable security or commodity</b>		
<b>7</b> Risk amount of financing transactions secured by marketable security or commodity	477.433	572.591
<b>8</b> Risk amount arising from intermediary transactions	208.372	129.806
<b>9</b> Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	<b>685.805</b>	<b>702.397</b>
<b>Off-balance sheet transactions</b>		
<b>10</b> Gross notional amount of off-balance sheet transactions	12.264.455	8.536.816
<b>11</b> (Correction amount due to multiplication with credit conversion rates)	(4.895.145)	(2.804.361)
<b>12</b> Total risk of off-balance sheet transactions (sum of lines 10 and 11)	<b>7.369.310</b>	<b>5.732.455</b>
<b>Capital and total risk</b>		
<b>13</b> Core Capital	5.956.713	5.053.660
<b>14</b> Total risk amount (sum of lines 3, 6, 9 and 12)	63.317.246	47.826.907
<b>Leverage ratio</b>		
<b>15</b> Leverage ratio	<b>9,41%</b>	<b>10,57%</b>

<sup>(1)</sup> The arithmetic average of the last three months in the related periods in accordance with BRSA Regulation.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>Financial Assets</b>	<b>48.919.363</b>	<b>48.324.143</b>
Money Market Placements	1.424.176	1.424.176
Banks	429.465	429.465
Available-For-Sale Financial Assets	4.602.139	4.602.139
Held-To-Maturity Investments	3.083.059	3.146.815
Loans <sup>(1)</sup>	39.380.524	38.721.548
<b>Financial Liabilities</b>	<b>44.988.191</b>	<b>44.090.600</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	33.844.441	33.844.441
Marketable Securities Issued <sup>(2)</sup>	10.761.889	9.864.298
Miscellaneous Payables	381.861	381.861

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Prior Period</b>	<b>Prior Period</b>
<b>Financial Assets</b>	<b>38.108.870</b>	<b>37.948.343</b>
Money Market Placements	526.286	526.251
Banks	257.692	256.879
Available-For-Sale Financial Assets	4.199.510	4.199.510
Held-To-Maturity Investments	2.585.160	2.552.348
Loans <sup>(1)</sup>	30.540.222	30.413.355
<b>Financial Liabilities</b>	<b>36.120.317</b>	<b>35.651.040</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions <sup>(3)</sup>	27.884.642	27.884.642
Marketable Securities Issued <sup>(2)</sup>	8.107.413	7.638.136
Miscellaneous Payables	128.262	128.262

<sup>(1)</sup> Loans include financial lease receivables.

<sup>(2)</sup> Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

<sup>(3)</sup> Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- iv- For the fair value calculation of marketable securities, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	4.152	12.602	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.767.953	2.816.139	6.197
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	1.073.500	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	262.699	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	720.931	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	154.049	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	1	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.947.295	84.814	149.268
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading <sup>(1)</sup>	-	894.448	-
Derivative Financial Assets for Hedging Purposes <sup>(1)</sup>	-	67.884	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading <sup>(2)</sup>	-	467.798	-
Derivative Financial Liabilities for Hedging Purposes <sup>(2)</sup>	-	16.545	-

<sup>(1)</sup> Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

<sup>(2)</sup> Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

Real estates which are presented in the financial statements at fair value are classified at level 2; investment properties of companies included in consolidation are classified at level 2 and level 3.

##### IX. Explanations related to transactions made on behalf of others and fiduciary transactions

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to consolidated risk management Linkages between financial statements and risk amounts**

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

Disclosures on the Risk management approach and risk-weighted amount

Risk management approach of the Parent Bank allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

Risk management process is structured within the scope of related policies and practice principals that creates a risk culture throughout the company and has a framework which is coherent with international regulations in the manner of evaluation, analyzing, monitoring, and reporting operations. Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to consolidated risk management Linkages between financial statements and risk amounts (Continued)**

**Overview of risk weighted assets**

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	38.155.032	37.712.816	3.052.403
2	Standardised approach	38.155.032	37.712.816	3.052.403
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.777.595	1.410.715	142.208
5	Standardised approach for counterparty credit risk	1.777.595	1.410.715	142.208
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	1.359.488	459.363	108.759
17	Standardised approach	1.359.488	459.363	108.954
18	Internal model approaches	-	-	-
19	Operational risk	2.526.013	2.029.776	202.081
20	Basic indicator approach	2.526.013	2.029.776	202.081
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.517.470	1.229.443	121.398
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>45.335.598</b>	<b>42.842.113</b>	<b>3.626.849</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

#### Linkages between financial statements and risk amounts (continued)

#### Differences and linkage between scopes of accounting consolidation and regulated consolidation

Current Period Assets	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash and balances at Central Bank	217.161	1.023.083	1.023.629	-	-	-	-
Banks	1.146.422	428.446	429.465	-	-	-	-
Money Market Placements	1.360.383	1.424.031	1.423.507	670	-	670	-
Financial Assets at Fair Value Through Profit or Loss	271.285	279.851	263.097	-	-	31.814	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.514.040	4.602.139	4.629.383	1.599.481	-	-	-
Financial Assets Measured at Amortized Cost	2.844.007	3.079.865	3.083.059	603.584	-	-	-
Derivative Financial Assets	1.382.969	1.340.506	-	1.340.505	-	566.619	-
Loans	33.924.681	37.439.605	39.174.799	-	-	-	-
Leasing Receivables	180.576	182.901	205.726	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations	64.403	64.403	64.403	-	-	-	-
Associates (net)	496.746	625.893	625.893	-	-	-	62.518
Subsidiaries (net)	-	25.352	25.352	-	-	-	-
Joint-Ventures (net)	-	597	597	-	-	-	-
Tangible Assets (net)	345.940	380.662	379.471	-	-	-	1.191
Intangible Assets (net)	4.108	5.066	-	-	-	-	5.066
Investment Properties (net)	275.234	279.523	279.523	-	-	-	-
Tax Assets	258	78	78	-	-	-	-
Deffered Tax Assets	146.099	175.419	175.419	-	-	-	-
Other Assets	842.756	1.073.500	598.897	46.681	-	-	479.209
<b>Total Assets</b>	<b>48.017.068</b>	<b>52.430.920</b>	<b>52.382.488</b>	<b>3.590.921</b>	-	<b>599.103</b>	<b>547.984</b>

<sup>(1)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2020 are used.

<sup>(2)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Current Period Liabilities	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-	-
Funds Borrowed	29.724.623	32.332.210	-	824.813	-	-	31.507.397
Money Market Funds	1.136.838	1.390.126	-	960.076	-	-	430.050
Securities Issued	7.854.389	8.462.386	-	-	-	-	8.462.386
Funds	48.339	122.105	-	-	-	-	122.105
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	591.029	874.980	-	-	-	491.732	383.248
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	5.422	4.394	-	-	-	-	4.394
Provisions	150.615	274.778	-	-	-	-	274.778
Current Tax Liability	199.717	155.129	-	-	-	-	155.129
Deffered tax Liability	-	1.508	-	-	-	-	1.508
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	2.152.755	2.299.503	-	-	-	-	2.299.503
Other Liabilities	532.803	383.032	-	-	-	-	383.032
Shareholders' Equity	5.620.538	6.130.769	-	-	-	-	6.130.769
<b>Total Liabilities</b>	<b>48.017.068</b>	<b>52.430.920</b>	-	<b>1.784.889</b>	-	<b>491.732</b>	<b>50.154.299</b>

<sup>(1)</sup> The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2020 are used.

<sup>(2)</sup> The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

#### Linkages between financial statements and risk amounts (continued)

#### Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Prior Period Assets	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(2)</sup>	Not subject to capital requirements or subject to deduction from capital
Cash and Balances at Central Bank	927.005	803.612	804.041	-	-	-	-
Financial Assets Held for Trading	1.030.326	257.308	257.692	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	1.127.319	526.251	525.628	658	-	658	-
Bank	327.270	278.918	263.097	-	-	15.821	-
Money Market Placements	3.689.318	4.186.273	4.186.273	2.073.648	-	-	-
Financial Assets Available-for-Sale (net)	2.254.801	2.581.799	2.585.160	431.344	-	-	-
Loans and Receivables	1.118.120	962.331	-	962.331	-	294.215	-
Factoring Receivables	29.594.910	30.655.975	31.516.616	-	-	-	-
Investment Held-to-Maturity (net)	123.244	106.310	128.874	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	64.403	64.403	-	-	-	-
Joint-Ventures (net)	450.153	465.976	465.976	-	-	-	-
Finance Lease Receivables	-	5.109	5.109	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	2.250	2.250	-	-	-	-
Tangible Assets (net)	300.490	347.206	345.004	-	-	-	2.202
Intangible Assets (net)	3.956	5.074	-	-	-	-	5.074
Investment Properties	247.999	273.918	273.918	-	-	-	-
Tax Assets	454	255	255	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	31.259	39.930	39.930	-	-	-	-
Other Assets	702.163	690.113	648.976	42.567	-	-	-
<b>Total Assets</b>	<b>41.928.787</b>	<b>42.253.011</b>	<b>42.113.202</b>	<b>3.510.548</b>	-	<b>310.694</b>	<b>7.276</b>

<sup>(1)</sup>The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2019 are used.

<sup>(2)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Prior Period Liabilities	Carrying values in financial statements prepared as per TAS <sup>(1)</sup>	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk <sup>(2)</sup>	Not subject to capital requirements or subject to deduction from capital	
Deposits	-	-	-	-	-	-	-	-
Funds Borrowed	25.907.225	26.628.325	-	913.928	-	-	-	25.714.397
Money Market Funds	391.731	1.197.367	-	1.031.214	-	-	-	166.153
Securities Issued	7.999.671	6.277.368	-	-	-	-	-	6.277.368
Funds	41.608	58.950	-	-	-	-	-	5.895
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	602.204	484.834	-	-	-	231.689	-	253.145
Factoring Payables	-	-	-	-	-	-	-	-
Lease Payables	-	4.913	-	-	-	-	-	4.913
Provisions	142.916	264.166	-	-	-	-	-	264.166
Current Tax Liability	88.618	83.358	-	-	-	-	-	83.358
Deffered tax Liability	-	-	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-	-
Subordinated Debts	1.785.961	1.830.045	-	-	-	-	-	1.830.045
Other Liabilities	289.956	244.696	-	-	-	-	-	244.696
Shareholders' Equity	4.678.897	5.178.989	-	-	-	-	-	5.178.989
<b>Total Liabilities</b>	<b>41.928.787</b>	<b>42.253.011</b>	-	<b>1.945.142</b>	-	<b>231.689</b>	-	<b>40.076.180</b>

<sup>(1)</sup>The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2019 are used.

<sup>(2)</sup>The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Linkages between financial statements and risk amounts (continued)

##### The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Current Period	Total	Credit Risk <sup>(1)</sup>	Securitization Positions	Counterparty credit risk <sup>(1)</sup>	Market risk <sup>(2)</sup>
1	Asset carrying value amount under scope of regulatory consolidation	52.430.920	52.382.488	-	3.590.921	599.103
2	Liabilities carrying value amount under regulatory scope of consolidation	52.430.920	-	-	1.784.889	491.732
	<b>Total net amount</b>	-	<b>52.382.488</b>	-	<b>1.806.032</b>	<b>107.371</b>
3	Off-balance sheet amounts	67.887.160	4.662.617	-	464.339	-
4	Differences due to prudential filters	-	(4.226.271)	-	(56.937)	1.252.117
	<b>Risk Amounts</b>	-	<b>52.818.834</b>	-	<b>2.213.434</b>	<b>1.359.488</b>

<sup>(1)</sup>The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

<sup>(2)</sup>The valuation amounts of financial instruments included in trading accounts in accordance with TAS are included

	Prior Period	Total	Credit Risk <sup>(1)</sup>	Securitization Positions	Counterparty credit risk <sup>(1)</sup>	Market risk <sup>(2)</sup>
1	Asset carrying value amount under scope of regulatory consolidation	42.253.011	42.113.202	-	3.467.981	310.694
2	Liabilities carrying value amount under regulatory scope of consolidation	42.253.011	-	-	1.945.142	231.689
	<b>Total net amount</b>	-	<b>42.113.202</b>	-	<b>1.522.839</b>	<b>79.005</b>
3	Off-balance sheet amounts	65.271.742	3.957.333	-	393.837	-
4	Differences due to prudential filters	-	(451.674)	-	204.743	380.358
	<b>Risk Amounts</b>	-	<b>45.618.861</b>	-	<b>2.121.419</b>	<b>459.363</b>

<sup>(1)</sup>The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

<sup>(2)</sup>Gross position amounts included in the calculation of market risk are taken as basis.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to consolidated risk management (continued)**

###### **Linkages between financial statements and risk amounts (continued)**

###### **The differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

There is no major differences between the financial and regulatory scope of consolidation.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Parent Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VIII. Disclosures on financial assets" in section "Accounting Policies" of section three of the report.

###### **Explanations on credit risk**

###### **General qualitative information on credit risk**

Credit risk is the possibility of incurring losses due to the credit fulfill customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to consolidated risk management (continued)****Credit quality of assets**

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments (c)	Net Values (a+b+c) (d)
	Defaulted (a)	Non-defaulted (b)		
<b>Current Period</b>				
1 Loans	1.689.788	44.874.678	1.763.730	44.800.736
2 Debt Securities	-	7.549.482	30.031	7.519.451
3 Off-balance sheet exposures	4.430	11.835.680	33.182	11.806.928
4 <b>Total</b>	<b>1.694.218</b>	<b>64.259.840</b>	<b>1.826.943</b>	<b>64.127.115</b>
	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments (c)	Net Values (a+b+c) (d)
	Defaulted (a)	Non-defaulted (b)		
<b>Prior Period</b>				
1 Loans	1.107.772	35.262.027	911.456	35.458.343
2 Debt Securities	-	6.701.268	46.404	6.654.864
3 Off-balance sheet exposures	2.964	9.064.438	24.621	9.042.781
4 <b>Total</b>	<b>1.110.736</b>	<b>51.027.733</b>	<b>982.481</b>	<b>51.155.988</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Changes in stock of default loans and debt securities

<b>Current Period</b>		<b>Balance</b>
1	<b>Defaulted loans and debt securities at end of the previous reporting</b>	<b>1.110.736</b>
2	Loans and debt securities that have defaulted since the last reporting period	443.178
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	140.304
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1.694.218</b>

<b>Prior Period</b>		<b>Balance</b>
1	<b>Defaulted loans and debt securities at end of the previous reporting</b>	<b>600.174</b>
2	Loans and debt securities that have defaulted since the last reporting period	516.375
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(5.813)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1.110.736</b>

##### Additional disclosure related to the credit quality of assets

The Parent Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Parent Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Parent Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FOUR (Continued)**

#### **INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

##### **X. Explanations related to consolidated risk management (continued)**

###### **Explanations related to consolidated credit risk (continued)**

###### **Additional disclosure related to the credit quality of assets (continued)**

###### ***Breakdown of receivables according to major regions, sectors and remaining maturities***

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Consolidated Credit Risk."

###### ***Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions***

On the basis of major regions impaired loans of the bank consist of domestic receivables. On sectoral basis, the amount of the Bank's impaired loans and related provisions is presented in footnote II. "Information of major sectors or type of counterparties" under Section Four explanations consolidated credit risk explanations. The Parent Bank allocates 100% Provision for these receivables. The Bank has no written off receivables as of 31 December 2020 (31 December 2019: TL None).

###### ***The aging analysis of the receivables past due***

The aging analysis of the receivables past due is presented in footnote under Section Four II. "Explanations related to consolidated credit risk".

##### **Credit Risk Mitigation**

###### **Qualitative disclosure on credit risk mitigation techniques**

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial collaterals are assessed on a daily basis at the Parent Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed. The value of the real estates is determined by the valuation institutions authorized by the CMB.

Major collaterals that can be used by the Bank within the scope of credit risk mitigation techniques are financial collaterals, guarantees and mortgages. In the report dated 31 December 2019, financial collaterals, guarantees and mortgages were used as the credit risk reduction technique in the calculation of credit risk exposure.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk mitigation techniques - Standard approach

		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
<b>Current Period</b>								
1	Loans	41.770.396	2.888.533	1.857.223	114.347	96.653	-	-
2	Debt securities	7.549.281	-	-	-	-	-	-
3	<b>Total</b>	<b>49.319.677</b>	<b>2.888.533</b>	<b>1.857.223</b>	<b>114.347</b>	<b>96.653</b>	-	-
4	Of which default	1.689.788	-	-	-	-	-	-
<b>Prior Period</b>								
1	Loans	33.363.272	1.904.349	1.647.757	190.722	146.979	-	-
2	Debt securities	6.654.864	-	-	-	-	-	-
3	<b>Total</b>	<b>40.018.136</b>	<b>1.904.349</b>	<b>1.647.757</b>	<b>190.722</b>	<b>146.979</b>	-	-
4	Of which default	1.107.772	-	-	-	-	-	-

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach

##### Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The related disclosures are included in footnotes "Credit risk under standard approach" under Section Four, Note II "Explanations related to consolidated credit risk".

##### Credit risk exposure and credit risk mitigation effects

Current Period	Risk Groups	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	8.391.903	260.036	8.488.557	52.007	-	0%
2	Exposures to regional and local governments	3.000	-	600	-	300	50%
3	Exposures to administrative bodies and noncommercial entities	373	71.154	75	14.231	14.306	100%
4	Exposures to multilateral development banks	17.725	-	17.725	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	3.904.207	362.384	3.165.594	23.698	1.090.801	38%
7	Exposures to corporates	32.850.329	34.971.333	32.753.631	3.900.007	34.189.147	93%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.636.859	6.315	1.636.859	6.315	821.587	50%
11	Past due receivables	1.619.926	-	888.831	-	732.639	82%
12	Exposures in higher-risk categories	51.187	667.408	51.187	44.663	138.406	144%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	6.171	-	6.171	-	6.171	100%
16	Other exposures	1.050.627	205.287	844.500	113.191	957.671	100%
17	Equity investments	810.992	-	810.992	-	1.721.474	212%
<b>18</b>	<b>Total</b>	<b>50.343.299</b>	<b>36.543.917</b>	<b>48.664.722</b>	<b>4.154.112</b>	<b>39.672.502</b>	<b>75%</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standard approach (continued)

##### Credit risk exposure and credit risk mitigation effects (continued)

Prior Period	Risk Groups	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	7.326.880	215.340	7.473.859	43.067	2.271.937	30%
2	Exposures to regional and local governments	-	3.000	-	3.000	1.500	50%
3	Exposures to administrative bodies and noncommercial entities	1	5.987	1	1.197	1.198	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.149.055	1.246.894	2.149.055	207.598	1.529.146	65%
7	Exposures to corporates	28.386.532	26.713.210	28.221.805	3.470.616	31.140.209	98%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11	Past due receivables	1.107.772	-	749.429	-	748.763	100%
12	Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	894.287	118.188	818.699	96.782	915.451	100%
17	Equity investments	654.308	-	654.308	-	1.391.974	213%
18	<b>Total</b>	<b>42.113.208</b>	<b>28.990.301</b>	<b>41.661.529</b>	<b>3.957.332</b>	<b>38.942.259</b>	<b>85%</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standardised approach (continued)

##### Exposures by asset classes and risk weights

	Current Period Risk Groups/Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Total Risk Amount (after CCR and CVA)
1	Exposures to sovereigns and their central banks	8.540.564	-	-	-	-	-	-	-	-	8.540.564
2	Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	14.306	-	-	-	14.306
4	Exposures to multilateral development banks	17.725	-	-	-	-	-	-	-	-	17.725
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.776.632	1.354.371	-	58.289	-	-	-	3.189.292
7	Exposures to corporates	-	-	982.290	3.357.319	-	32.314.029	-	-	-	36.653.638
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.643.174	-	-	-	-	-	1.643.174
10	Past due receivables	-	-	-	314.061	-	573.093	1.677	-	-	888.831
11	Exposures in higher-risk categories	-	-	-	294	-	10.149	85.407	-	-	95.850
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	6.171	-	-	-	6.171
15	Equity investments	-	-	-	-	-	204.004	-	-	606.988	810.992
16	Other exposures	20	-	-	-	-	957.671	-	-	-	957.691
17	<b>Total</b>	<b>8.558.309</b>	<b>-</b>	<b>2.758.922</b>	<b>6.669.819</b>	<b>-</b>	<b>34.137.712</b>	<b>87.084</b>	<b>-</b>	<b>606.988</b>	<b>52.818.834</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations related to credit risk (continued)

##### Credit risk under standardised approach (continued)

##### Exposures by asset classes and risk weights (continued)

	Prior Period Risk Groups/Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	Others	Total Risk Amount (after CCR and CVA)
1	Exposures to sovereigns and their central banks	5.244.989	-	-	-	-	2.271.937	-	-	-	7.516.926
2	Exposures to regional and local governments	-	-	-	3.000	-	-	-	-	-	3.000
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.198	-	-	-	1.198
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	853.632	289.203	-	1.213.818	-	-	-	2.356.653
7	Exposures to corporates	-	-	576.608	181.851	-	30.933.962	-	-	-	31.692.421
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.651.791	-	-	-	-	-	1.651.791
10	Past due receivables	-	-	-	3.212	-	744.337	1.880	-	-	749.429
11	Exposures in higher-risk categories	-	-	-	294	-	-	77.360	-	-	77.654
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	162.531	-	-	491.777	654.308
16	Other exposures	30	-	-	-	-	915.451	-	-	-	915.481
17	<b>Total</b>	<b>5.245.019</b>	<b>-</b>	<b>1.430.240</b>	<b>2.129.351</b>	<b>-</b>	<b>36.243.234</b>	<b>79.240</b>	<b>-</b>	<b>491.777</b>	<b>45.618.861</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated risk management (continued)

##### Disclosures on counterparty credit risk (CCR)

##### Qualitative disclosures on CCR (continued)

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

##### Analysis of counterparty credit risk (CCR) exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	1.101.328	379.902	-	-	1.481.229	930.913
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	475.250	276.420
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1.207.333</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to consolidated risk management (continued)****Disclosures on counterparty credit risk (CCR) (continued)****Analysis of counterparty credit risk (CCR) exposure by approach (continued)**

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	<b>Prior Period</b> Standardised Approach (for derivatives)	884.274	339.099	-	-	1.223.373	728.726
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.803	294.788
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1.023.514</b>

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to consolidated risk management (continued)****Credit valuation adjustment (CVA) for capital charge**

<b>Current Period</b>		<b>Exposure at default post-credit risk mitigation techniques</b>	<b>Risk weighted amount</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3*multiplier)	-	-
2	(ii) Stressed VaR component (including the 3*multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	1.481.229	562.318
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>1.481.229</b>	<b>562.318</b>
<b>Prior Period</b>		<b>Exposure at default post-credit risk mitigation techniques</b>	<b>Risk weighted amount</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3*multiplier)	-	-
2	(ii) Stressed VaR component (including the 3*multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	1.223.373	381.915
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>1.223.373</b>	<b>381.915</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations on counterparty credit risk (CCR)

##### Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk weights

Risk Groups	Current Period								Total credit exposure <sup>(1)</sup>	
	Risk Weight	0%	10%	20%	50%	75%	100%	150%		Other
Exposures to sovereigns and their central banks	13.982	-	-	-	-	-	-	-	-	13.982
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	175	-	-	175
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	317.248	940.793	-	-	-	-	-	1.258.041
Exposures to corporates	-	-	-	21.937	-	661.238	-	-	-	683.175
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	1.106	-	-	1.106
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13.982</b>	<b>-</b>	<b>317.248</b>	<b>962.730</b>	<b>-</b>	<b>662.519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.956.479</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

##### Explanations on counterparty credit risk (CCR) (continued)

##### Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk weights (continued)

Risk Classes	Prior Period	Risk Weight								Total credit exposure <sup>(1)</sup>
		0%	10%	20%	50%	75%	100%	150%	Other	
Exposures to sovereigns and their central banks	-	-	-	-	-	-	2.696	-	-	2.696
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	4.914	-	-	4.914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	547.577	1.023.200	-	7.550	-	-	-	1.578.327
Exposures to corporates	-	-	-	-	-	386.465	-	-	-	386.465
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	773	-	-	-	773
<b>Total</b>	-	-	<b>547.577</b>	<b>1.023.200</b>	-	<b>402.398</b>	-	-	-	<b>1.973.175</b>

<sup>(1)</sup> Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to consolidated risk management (continued)

#### Disclosures on counterparty credit risk (CCR) (continued)

#### Collaterals used for CCR

Current Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	727.356	-
Cash - foreign currency	-	-	-	-	996.528	-
Domestic sovereign debt	-	-	-	-	670	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.724.554</b>	-
Prior Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	491.072	-
Cash - foreign currency	-	-	-	-	1.454.070	-
Domestic sovereign debt	-	-	-	-	658	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.945.800</b>	-

#### Credit derivatives

None (31 December 2019 : None).

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to consolidated risk management (continued)****Exposure to central counterparties (CCP)**

	Current Period		Prior Period	
	Exposure at Default Post - CRM	RWA	Exposure at Default Post - CRM	RWA
<b>Exposure to Qualified Central Counterparties (QCCPs) Total</b>	361.685	7.945	241.802	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	256.955	5.138	148.244	2.964
(i) OTC Derivatives	255.166	5.103	127.470	2.549
(ii) Exchange-traded Derivatives	1.780	35	5.324	106
(iii) Securities financing transactions	9	-	15.449	309
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	28.350	-	22.880	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	76.380	2.807	70.678	2.317
Unfunded default fund contributions	-	-	-	-
<b>Exposures to non-Central Counterparties (QCCPs) Total</b>	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

**Explanations on securitizations**

None (31 December 2019 : None).

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated risk management (continued)

###### Disclosures on market risk

###### Qualitative information to be disclosed to public concerning market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSR Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

###### Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
<b>Outright products</b>		-	-
1	Interest rate risk (general and specific)	275.475	257.900
2	Equity risk (general and specific)	8.663	-
3	Foreign exchange risk	1.075.350	201.301
4	Commodity risk	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	162
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>1.359.488</b>	<b>459.363</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated risk management (continued)

##### Disclosure on operational risk

##### Information to be disclosed to the public regarding operational risk

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the “Regulation on the Measurement and Assessment of the Capital Adequacy of Banks”.

	31/12/2017	31/12/2018	31/12/2019	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	1.034.921	1.473.010	1.533.690	1.347.207	15	202.081
Capital Requirement for Operational Risk (Total*12,5)						2.526.013

	31/12/2016	31/12/2017	31/12/2018	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	739.710	1.034.921	1.473.010	1.082.547	15	162.382
Capital Requirement for Operational Risk (Total*12,5)						2.029.776

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****X. Explanations related to consolidated risk management (continued)****Disclosure on operational risk (continued)****Disclosures on interest rate risk resulting from banking book**

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

**The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué**

<b>Current Period</b>	<b>Applied Shock</b>		<b>Revenue/Shareholders' Equity - Loss/</b>
<b>Currency</b>	<b>(+/- x basis point)</b>	<b>Revenue/Loss</b>	<b>Shareholders' Equity</b>
TL	+500/(400) basis point	(230.463)/223.105	(2.63%)/2.54%
Euro	+200/(200) basis point	81.243/20.836	0.93%/0.24%
US Dollar	+200/(200) basis point	(477.883)/178.020	(5.45%)/2.03%
<b>Total (for Negative Shocks)</b>		<b>421.961</b>	<b>4.81%</b>
<b>Total (for Positive Shocks)</b>		<b>(627.103)</b>	<b>(7,15)%</b>

<b>Prior Period</b>	<b>Applied Shock</b>		<b>Revenue/Shareholders' Equity - Loss/</b>
<b>Currency</b>	<b>(+/- x basis point)</b>	<b>Revenue/Loss</b>	<b>Shareholders' Equity</b>
TL	+500/(400) basis point	(157.080)/144.247	(2,08%)/1,91%
Euro	+200/(200) basis point	57.159/(4.926)	0,76%/(0,07%)
US Dollar	+200/(200) basis point	(258.991)/276.863	(3,42%)/3,66%
<b>Total (for Negative Shocks)</b>		<b>416.184</b>	<b>5,50%</b>
<b>Total (for Positive Shocks)</b>		<b>(358.912)</b>	<b>(4,74)%</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the consolidated assets

##### 1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	29	-
Balances with the Central Bank of Turkey	2.227	1.021.382	484	803.528
Other	-	-	-	-
<b>Total</b>	<b>2.247</b>	<b>1.021.382</b>	<b>513</b>	<b>803.528</b>

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	2.227	10.138	484	7.461
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(2)</sup>	-	1.011.244	-	796.067
<b>Total</b>	<b>2.227</b>	<b>1.021.382</b>	<b>484</b>	<b>803.528</b>

<sup>(1)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

<sup>(2)</sup> Provision amounting to TL 546 is allocated in "Balances with the Central Bank of Turkey" (31 December 2019: TL 429)

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015. Interest rate for the required reserves in Turkish Lira is paid effective rate since 21 September 2018.

The required reserves in Turkish lira is applied 12% the following interest rates as of 27 November 2020.

Differentiation according to loan growth has been abolished by the Communiqué No. 2020/17 published in the Official Gazette dated 27/11/2020 and numbered 31317.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the consolidated assets (continued)

###### 1.a Information on cash and balances with the Central Bank of Turkey:

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 December 2020 are presented in table below:

<b>Reserve Rates for Turkish Lira Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower Funds	6
Until 1 year maturity (1 year included)	6
1-3 year maturity (3 year included)	3.5
More than 3 year maturity	1

<b>Reserve Rates for Foreign Currency Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower Funds	19
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 2 Information on financial assets at fair value through profit and loss:

##### 2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2019:None).

##### 2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2019:None).

##### 2.c Positive differences related to derivative financial assets :

Derivative Instruments <sup>(1)</sup>	Current Period		Prior Period	
	FC	TL	FC	FC
Forward Transactions	64.966	1.283	44.124	163
Swap Transactions	552.034	455.454	609.141	231.423
Futures Transactions	-	-	-	-
Options	-	4.070	-	9.596
Other	-	-	-	-
<b>Total</b>	<b>617.000</b>	<b>460.807</b>	<b>653.265</b>	<b>241.182</b>

<sup>(1)</sup> Derivative Financial Assets for Hedging Purposes amounting to TL 262.699 are presented in the "Derivative Financial Assets" account (31 December 2019 : TL 67.884).

As part of its economic hedging strategy, the Parent Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 145 million as of 31 December 2020 is TL 426.221 and the average maturities are between 2021 and 2023.

##### 2.d Loans at Fair Value Through Profit or Loss:

Net Book Value	Current Period	Prior Period
Loans at Fair Value Through Profit or Loss	263.097	263.097

As explained in part 5 Note I.16, it includes the loan extended to the special purpose company. The related loan is monitored as loans whose fair value through profit or loss within the scope of TFRS 9.

As of 31 December 2020, the Bank re-evaluated the fair value of the loan taking into account current market conditions and macroeconomic indicators and as of the year end the fair value of the financial asset did not change.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 3. Information on banks and foreign bank accounts

##### 3.a Information on banks:

	Current Period <sup>(1)</sup>		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	86.932	175.458	12.973	185.230
Foreign	-	167.075	-	59.489
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>86.932</b>	<b>342.533</b>	<b>12.973</b>	<b>244.719</b>

<sup>(1)</sup> Provision amounting to TL 1.019 is allocated in "Banks"(31 December 2019: TL 384).

##### 3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	30.517	1.779	-	-
USA and Canada	79.663	50.431	-	-
OECD Countries <sup>(1)</sup>	2.278	7.279	-	-
Off-shore banking regions	-	-	-	-
Other	54.617	-	-	-
<b>Total</b>	<b>167.075</b>	<b>59.489</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries other than European Union countries, USA and Canada.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 4. Available-for-sale financial assets subject to repurchase agreements:

##### 4.a.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TP	YP	TP	YP
Government bonds	384.612	-	287.144	542.673
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>384.612</b>	<b>-</b>	<b>287.144</b>	<b>542.673</b>

##### 4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:

As of balance sheet date, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.906.650.

	Current Period		Prior Period	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	814.409	1.092.241	749.163	1.078.533
Other	-	-	-	-
<b>Total</b>	<b>814.409</b>	<b>1.092.241</b>	<b>749.163</b>	<b>1.078.533</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

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

##### 4.b Major types of financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprised of government bonds 36,93%, Eurobonds 57,06% and shares and other securities 6,01% (31 December 2019 : government bonds 47,81%, Eurobonds 45,92% and shares and other securities 5,28%).

##### 4.c. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	4.452.123	4.107.611
Quoted on a stock exchange	1.832.511	2.155.330
Unquoted	2.619.612	1.952.281
Share certificates	178.159	126.600
Quoted on a stock exchange	39.540	20.662
Unquoted	138.619	105.938
Impairment provision(-)	31.730	47.938
Other	3.587	-
<b>Total</b>	<b>4.602.139</b>	<b>4.186.273</b>

There is no provision for "Financial Assets at Fair Value Through Other Comprehensive Income"

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 126.206 (31 December 2019: TL 95.907).

##### 5. Explanation on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	294.689	-	251.238	-
Corporate shareholders	294.689	-	251.238	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	917	-	740	-
<b>Total</b>	<b>295.606</b>	<b>-</b>	<b>251.978</b>	<b>-</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanation on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

##### 5.b.1 Loans measured at Fair Value through Profit/Loss:

Current Period	Net Book Value
Loans Measured at Fair Value through Profit/Loss <sup>(*)</sup>	263.097

<sup>(\*)</sup>Include the loan granted to the special purpose entity as detailed in Section Five Note 16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

##### 5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans

Current Period <sup>(1)</sup>	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Amendments on Conditions of Contract Refinance
<b>Cash Loans</b>				
Non-specialized loans	32.885.271	513.781	2.872.574	857.773
Working Capital loans	4.821.651	291.707	939.890	857.773
Export loans	695.026	-	99.724	-
Import loans	-	-	-	-
Loans given to financial sector	5.315.675	-	-	-
Consumer loans	917	-	-	-
Credit cards	-	-	-	-
Other	22.052.002	222.074	1.832.960	-
Specialized loans	-	-	-	-
Other receivables	355.611	-	-	-
<b>Total</b>	<b>33.240.882</b>	<b>513.781</b>	<b>2.872.574</b>	<b>857.773</b>

<sup>(1)</sup> According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 887.975 shown under "Working Capital Loans"; due to the nature of "Investment" shown under the category "other" in the above footnote.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans: (continued)

##### 5.b.2 Loans at measured amortized cost

Prior Period <sup>(1)</sup>	Loans Under Close Monitoring			
	Standard Loans	Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.075.576	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.600.514	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	216.424	-	-	-
<b>Total</b>	<b>27.078.581</b>	<b>803.006</b>	<b>1.696.477</b>	<b>830.780</b>

<sup>(1)</sup>According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.660.356 shown under "Working Capital Loans"; due to the nature of "Investment" shown under the category "other" in the above footnote.

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	425.830	-	174.056	-
Significant Increase in Credit Risk	-	575.834	-	350.807

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Explanations on loans (continued)****5.c Loans according to their maturity structure:**

<b>Current Period <sup>(*)</sup></b>	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>	
		<b>Nonrestructured</b>	<b>Restructured</b>
Short-term loans	4.250.696	102.680	99.724
Non-specialized loans	3.895.085	102.680	99.724
Specialized loans	-	-	-
Other receivables	355.611	-	-
Orta ve Uzun Vadeli Krediler	28.990.186	411.101	3.630.623
Non-specialized loans	28.990.186	411.101	3.630.623
Specialized loans	-	-	-
Other receivables	-	-	-

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.

<b>Current Period <sup>(*)</sup></b>	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>	
		<b>Nonrestructured</b>	<b>Restructured</b>
Short-term loans	3.905.313	-	69.185
Non-specialized loans	3.688.889	-	69.185
Specialized loans	-	-	-
Other receivables	216.424	-	-
Orta ve Uzun Vadeli Krediler	23.173.268	-	733.821
Non-specialized loans	23.173.268	-	733.821
Specialized loans	-	-	-
Other receivables	-	-	-

<sup>(\*)</sup>It does not include loans measured at fair value through profit/loss.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Explanations and disclosures related to the assets (continued)

#### 5. Explanations on loans (continued)

#### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	86	831	917
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	86	831	917
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>86</b>	<b>831</b>	<b>917</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	76	664	740
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	76	664	740
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>76</b>	<b>664</b>	<b>740</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.e Information on commercial loans with instalments and corporate credit cards:

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2019: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	777.998	942.805
Private	36.707.012	29.466.039
<b>Total</b>	<b>37.485.010</b>	<b>30.408.844</b>

<sup>(\*)</sup>Includes fair value through profit or loss loans

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	37.352.071	30.296.704
Foreign Loans	132.939	112.140
<b>Total</b>	<b>37.485.010</b>	<b>30.408.844</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	628.836	545.560
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>628.836</b>	<b>545.560</b>

##### 5.i Specific provisions provided against loans or default (Stage 3) provisions:

	Current Period	Prior Period
Loans and receivables with limited collectability	401.917	184.323
Loans and receivables with doubtful collectability	275.856	120.078
Uncollectible loans and receivables	78.581	53.942
<b>Total</b>	<b>756.354</b>	<b>358.343</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.j Information on non-performing loans (net):

##### 5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period</b>			
Gross amounts before provisions	126.864	767.987	35.653
Restructured loans	126.864	767.987	35.653
<b>Prior Period</b>			
Gross amounts before provisions	-	592.614	37.567
Restructured loans	-	592.614	37.567

##### 5.j.2 Movement of non-performing loans:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Prior Period End Balance</b>	<b>457.905</b>	<b>594.045</b>	<b>55.822</b>
Additions (+)	412.925	28.236	551
Transfers from Other Categories of Non-performing Loans (+)	-	104.973	29.569
Transfers to Other Categories of Non-performing Loans (-)	104.973	29.569	-
Collections (-)	239	31.229	2.128
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	(4.336)	177.570	666
<b>Current Period End Balance</b>	<b>761.282</b>	<b>844.026</b>	<b>84.480</b>
Provisions (-)	401.917	275.856	78.581
<b>Net Balance on Balance Sheet</b>	<b>359.365</b>	<b>568.170</b>	<b>5.899</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****5. Explanations on loans (continued)****5.j Information on non-performing loans (net) (continued):****5.j.2 Movement of non-performing loans (continued):**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Receivables With Limited Collectability</b>	<b>Loans and Receivables With Doubtful Collectability</b>	<b>Uncollectible Loans and Receivables</b>
<b>Prior Period</b>			
<b>Prior Period End Balance</b>	<b>22.719</b>	<b>522.165</b>	<b>52.326</b>
Additions (+)	459.570	46.845	9.959
Transfers from Other Categories of Non-performing Loans (+)	-	22.779	8.215
Transfers to Other Categories of Non-performing Loans (-)	(22.779)	(8.215)	-
Collections (-)	(1.640)	(68.616)	(14.761)
Write-offs (-) <sup>(1)</sup>	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
<b>Current Period End Balance</b>	<b>457.905</b>	<b>594.045</b>	<b>55.822</b>
Provisions (-)	184.323	120.078	53.942
<b>Net Balance on Balance Sheet</b>	<b>273.582</b>	<b>473.967</b>	<b>1.880</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.j Information on non-performing loans (net) (continued):

##### 5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	115.594	780.355	34.030
Provision (-)	58.505	244.959	32.316
<b>Net Balance on Balance Sheet</b>	<b>57.089</b>	<b>535.396</b>	<b>1.714</b>
<b>Prior Period:</b>			
Period End Balance	10.306	592.614	34.215
Specific Provision (-)	3.223	118.878	32.335
<b>Net Balance on Balance Sheet</b>	<b>7.083</b>	<b>473.736</b>	<b>1.880</b>

##### 5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	761.282	844.026	79.635
Provision Amount (-)	401.917	275.856	73.736
Loans to Real Persons and Legal Entities (Net)	359.365	568.170	5.899
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.845
Provision Amount (-)	-	-	4.845
Other Loans and Receivables (Net)	-	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.j Information on non-performing loans (net) (continued):

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	457.905	594.045	50.924
Provision Amount (-)	184.323	120.078	49.044
Loans to Real Persons and Legal Entities (Net)	273.582	473.967	1.880
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.898
Provision Amount (-)	-	-	4.898
Other Loans (Net)	-	-	-

##### 5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>	<b>(877)</b>	<b>120.999</b>	<b>599</b>
Interest Accruals and Rediscount with Valuation Differences	(4.336)	177.570	666
Provision amount (-)	(3.459)	56.571	67
<b>Prior Period (Net)</b>	<b>7</b>	<b>62.652</b>	<b>75</b>
Interest Accruals and Rediscount with Valuation Differences	7.728	90.769	83
Provision amount (-)	7.721	28.117	8

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5.k Main principles of liquidating non-performing loans and receivables:

If there are collaterals received in according to Article 13 of the “Regulation on the Procedures And Principles For Determination of Qualifications of Loans and Other Receivables By Banks And Provisions to be Set Aside”, these collaterals are converted into cash as soon as possible as a result of both administrative and legal proceedings.

In the absence of collaterals, even if there is evidence of insolvency for the debtor, several financial investigations are applied at various periods to determine whether any property are subsequently acquired and legal proceedings are being followed.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

##### 5.l Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

Within the scope of the “Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions for These” published in the Official Gazette dated 27 November 2019 and numbered 30961, loans classified as “Fifth Group-Uncollectible Loans”, for which there is no reasonable expectation of recovery, can be excluded from the balance sheet.

The Bank has no written off loans as of 31 December 2020.

#### 6. Information on held-to-maturity investments

##### 6.a The information was subjected to repo transactions and given as collateral/blocked amount of investments :

	Current Period		Prior Period	
	TP	FC	TP	FC
Collateralised/Blocked Investments	828.156	32.812	737.176	26.554
Subject to Repurchase Agreements	603.584	-	330.755	100.588
<b>Total</b>	<b>1.431.740</b>	<b>32.812</b>	<b>1.067.931</b>	<b>127.142</b>



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 6. Information on held-to-maturity investments (continued)

##### 6.b Information on government debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	3.083.059	2.585.160
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>3.083.059</b>	<b>2.585.160</b>

##### 6.c Information on held-to-maturity investments :

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	2.719.902	2.285.894
Not Quoted	363.157	299.266
<b>Impairment provision (-)</b>	-	-
<b>Total</b>	<b>3.083.059</b>	<b>2.585.160</b>

##### 6.d Movement of held-to-maturity investments within the year :

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>2.585.160</b>	<b>2.154.941</b>
Foreign Currency Differences on Monetary Assets	64.029	58.982
Purchases During The Period	149.670	433.812
Disposals Through Sales And Redemptions (-)	1.577	195.251
Impairment Provision (-)	-	-
Interest Income Accruals	285.777	132.676
<b>Balance at End of Period</b>	<b>3.083.059</b>	<b>2.585.160</b>

<sup>(1)</sup> Provision amounting to TL 3.195 is allocated in "Financial asset measured at amortized cost"(31 December 2019: TL 3.360).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

###### 7. Information on investments in associates (net):

###### 7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:

Unconsolidated non-financial associates are valued at cost.

###### 7.a.2 Information on unconsolidated associates:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme <sup>(1)</sup>	27.745	5.172	1.548	-	-	(43)	(35)	-
2	Ege Tarım	17.740	16.667	8.073	-	-	2.504	2.459	2.123

<sup>(1)</sup> The information is obtained from financial statements as of 30 September 2020. The information of prior year profit/loss is obtained from 30 September 2019 financial statements.

###### Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

###### Information on associates purchased in the current period

In the current period the Group has not purchased any associates.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 7. Information on investments in associates (net) (continued)

##### 7.a.3 Information on the consolidated associates:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,23
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,52

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	
1	İş Faktoring	4.646.794	478.204	3.004	337.177	-	56.926	(23.452)	104.009
2	İş Finansal	12.762.218	1.719.238	22.844	884.338	-	198.772	84.106	798.024
3	İş Girişim	267.841	263.814	1.412	4.024	3	2.050	1.736	237.519

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>464.920</b>	<b>428.490</b>
Movements During the Period	158.849	36.430
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/Decrease <sup>(1)</sup>	158.849	-
Provision for Impairment (-)	-	36.430
Other	-	-
<b>Balance at the End of the Period</b>	<b>623.769</b>	<b>464.920</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup> Includes accounting differences with the equity method.

<sup>(2)</sup> Non-financial subsidiaries amounting to TL 2.124 are not included in the table (31 December 2019: TL 1.056).

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 7. Information on investments in associates (net) (continued)

##### 7.a.3 Information on the consolidated associates: (continued)

##### *Information on associates disposed in the current period*

In the current period the Group has not disposed any associates.

##### *Information on associates purchased in the current period*

In current period the Group has not purchased any associates.

##### 7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	104.009	65.335
Leasing Companies	475.792	355.956
Financial Service Companies	-	-
Other Financial Associates	43.968	43.629

##### 7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	519.761	399.584
Associates Quoted on Foreign Stock Markets	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information related to subsidiaries (net)

##### 8.a.1 Information related to equity component of subsidiaries:

	YF	TSKB GYO	Yatırım VKŞ
Current Period <sup>(1)</sup>	Current Period	Current Period	Current Period
<b>CORE CAPITAL</b>			
Paid-in Capital	63.500	500.000	150
Share Premium	-	864	-
Legal Reserves	4.724	8.726	-
Other Comprehensive Income/Loss according to TAS	37.982	-	-
Current and Prior Years' Profit	70.935	(44.950)	40
Leasehold Improvements (-)	459	-	-
Intangible Assets (-)	723	28	6
<b>Total Core Capital</b>	<b>175.959</b>	<b>464.612</b>	<b>184</b>
<b>Supplementary Capital</b>	-	-	-
<b>Capital</b>	-	-	-
<b>Net Available Capital</b>	<b>175.959</b>	<b>464.612</b>	<b>184</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2020.

	YF	TSKB GYO
Prior Period <sup>(1)</sup>	Prior Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	300.000
Share Premium	-	593
Legal Reserves	3.681	8.683
Other Comprehensive Income according to TAS	19.994	-
Current and Prior Years' Profit/Loss	30.802	1.568
Leasehold Improvements (-)	404	-
Intangible Assets (-)	1.013	18
<b>Total Core Capital</b>	<b>116.560</b>	<b>310.826</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>116.560</b>	<b>310.826</b>

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2019.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102. The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information related to subsidiaries (net) (continued)

##### 8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

##### 8.a.3 Information related to unconsolidated subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	80,17	99,85

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD <sup>(1)</sup>	27.698	23.719	1.410	1.559	-	5.437	3.901	23.719
2	TSKB SD	2.352	2.080	104	374	-	(846)	92	1.313

<sup>(1)</sup> The information is obtained from financial statements subject to consolidation as of 30 November 2020. Prior period income/loss is obtained from financial statements as of 30 November 2019.

##### 8.a.4 Information related to consolidated subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YF)	Istanbul/Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,13	89,95
3	Yatırım Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF <sup>(1)</sup>		1.083.746	177.141	12.589	70.845	1.638	44.352	16.575	169.668
TSKB GYO <sup>(1)</sup>		603.049	464.639	274	493	-	(45.781)	46.186	2.416.263
Yatırım VKŞ <sup>(1)</sup>		432.728	190	6	-	-	17	23	190

<sup>(1)</sup> The consolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information related to subsidiaries (net) (continued)

##### 8.a.4 Information related to consolidated subsidiaries (continued):

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>378.504</b>	<b>323.690</b>
Movements During the Period	203.393	54.814
Purchases	185.542	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	17.851	54.814
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>581.897</b>	<b>378.504</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

<sup>(1)</sup> Accounting with equity method comprises differences.

<sup>(2)</sup> Non-financial subsidiaries amounting to TL 25.031 are not included in the table (31 December 2019: TL 21.368).

<sup>(3)</sup> At the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded on the stock exchange up to a nominal share of amounting to TL 10 million in the next year. The shares purchased within the scope of this program have been classified under the "Financial Assets at Fair Value through Profit and Loss". The shares which purchased transaction has been completed, were classified from the "Financial Assets at Fair Value through Profit Loss" to the "Subsidiaries" account in February 2020. After the capital increase by TSKB GYO amounting to Full TL 200.000.000, the Bank acquired TSKB GYO shares in the amounting to TL 178.403.

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

##### **Subsidiaries disposed in the current period**

*In the current period, the Group has not disposed any subsidiaries.*

##### **Subsidiaries purchased in the current period**

In the Board of Directors meeting of the Bank held on 23 July 2020, The Bank has decided to participate in the capital increase amounting to TL 200.000.000 (full amount) planned by TSKB GYO at the rate of its share in TSKB GYO because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company. After this capital increase, the Bank acquired TSKB GYO shares in the amounting to TL 178.403.

At the Board of Directors meeting held on 26 February 2020, The Bank decided to authorize the General directorate that purchase of TSKB GYO A.Ş. from the shares traded on the stock exchange up to a nominal amount of TL 12,5 Million within a year without any commitment, and classification of existing and new shares to be purchased, when necessary. Shares purchased under this program are classified under the "Financial Assets at Fair Value through Profit and Loss"

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.a.5 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	581.897	378.504

##### 8.a.6 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	412.229	265.505
Subsidiaries quoted on foreign stock exchanges	-	-

##### 9. Information related to entities under common control

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The capital structure of the Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute, and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (previous name "Palmira Turizm Ticaret A.Ş.").

The capital structure of Anavarza Otelcilik Anonim Şirketi is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care.

Hotel Project Ordinary Partnership Commercial Enterprise, owned by TSKB GYO with 50% -50% Bilici Yatırım Sanayi ve Ticaret Anonim Şirketi, together with all its assets and liabilities, as a whole, by changing the type of "Yarsuvat Turizm Anonim Şirketi" It has been transformed into a company named ".

Bilici Yatırım TSKB GYO Adana Hotel Project Ordinary Partnership Commercial Enterprise was transformed into Yarsuvat Turizm Anonim Şirketi and after the conversion, the transfer of the Adana Chamber of Commerce to Anavarza Otelcilik A.Ş. and 9647 numbered Merger document on 20 December 2019.



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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 9. Information related to entities under common control (continued)

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit/Loss	Prior Year Profit/Loss	Fair Value
Anavarza Otelcilik	8.058	(1.195)	5.321	27	-	(1.832)	803	-

##### 10. Information on finance lease receivables (net)

##### 10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	26.059	23.546	36.531	34.243
Between 1- 4 years	102.489	92.826	93.678	85.056
More than 4 years	103.933	89.354	10.759	9.575
<b>Total</b>	<b>232.481</b>	<b>205.726</b>	<b>140.968</b>	<b>128.874</b>

A provision amounting to TL 22.825 (31 December 2019: TL 22.564) was provided for the "Financial Lease Receivables" account.

##### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>232.481</b>	<b>140.968</b>
Unearned revenue from finance leases (-)	26.755	12.094
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>205.726</b>	<b>128.874</b>

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 11. Information on derivative financial assets for hedging purposes

There is differences on derivative financial instruments held for hedging purposes amounting to TL 262.699 (31 December 2019: 67.884).

As of 31 December 2020, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	15.214.012	262.699	-	16.520.430	67.884	(16.545)
FC	15.214.012	262.699	-	16.520.430	67.884	(16.545)
TL	-	-	-	-	-	-
Swap Currency Transactions	4.626.754	-	(154.049)	-	-	-
FC	4.626.754	-	(154.049)	-	-	-
TL	-	-	-	-	-	-

##### 11.a.1 Information on fair value hedge accounting

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Aktif	Pasif	
				Current Period		
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	(184.285)	181.026	-	(3.259)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(41.043)	40.450	-	(593)
Cross Currency Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(54.959)	54.947	-	(11)

<sup>(1)</sup> The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****11. Information on derivative financial assets for hedging purposes (continued)****11.a.1 Information on fair value hedge accounting (continued)**

Prior Period	Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(1)</sup>	Fair Value of Hedging Instrument <sup>(1)</sup>		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
					Asset	Liability	
					Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(5.481)	4.597	-	(884)	

<sup>(1)</sup> The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 12. Information on tangible assets (net)

The Group adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2020 and are not accounted as there is no significant change with the valuation amount recorded in the previous period.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	341.070	-	-	32.407	373.474
Assets held under finance leases	-	-	-	-	-
Vehicles	2.535	-	-	-	2.535
Right to use Securities-Real Estate	6.542	1.565	(408)	-	7.699
Assets held for resale	-	-	-	-	-
Other	28.399	6.919	(274)	-	35.047
<b>Total Cost</b>	<b>378.546</b>	<b>8.484</b>	<b>(682)</b>	<b>32.407</b>	<b>418.755</b>
Accumulated depreciation					
Land and buildings	(1.054)	(179)	-	-	(1.233)
Assets held under finance leases	-	-	-	-	-
Vehicles	(272)	(478)	-	-	(750)
Right to use Securities-Real Estate	(1.925)	(2.189)	-	-	(4.114)
Assets held for resale	-	-	-	-	-
Other	(28.089)	(4.155)	248	-	(31.996)
<b>Total accumulated depreciation</b>	<b>(31.340)</b>	<b>(7.001)</b>	<b>248</b>	<b>-</b>	<b>(38.093)</b>
Impairment provision	-	-	-	-	-
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>347.206</b>	<b>1.483</b>	<b>(434)</b>	<b>32.407</b>	<b>380.662</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 12. Information on fair value hedge accounting (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	291.924	41	-	49.105	341.070
Assets held under finance leases	2.330	-	(2.330)	-	-
Vehicles	1.000	2.348	(813)	-	2.535
Right to use Securities-Real Estate	-	6.997	(455)	-	6.542
Assets held for resale	-	-	-	-	-
Other	30.027	5.652	(7.280)	-	28.399
<b>Total Cost</b>	<b>325.281</b>	<b>15.038</b>	<b>(10.878)</b>	<b>49.105</b>	<b>378.546</b>
Accumulated depreciation					
Land and buildings	(818)	(236)	-	-	(1.054)
Assets held under finance leases	(2.221)	-	208	2.013	-
Vehicles	(852)	(191)	771	-	(272)
Right to use Securities-Real Estate	-	(1.949)	24	-	(1.925)
Assets held for resale	-	-	-	-	-
Other	(28.739)	(4.335)	6.998	(2.013)	(28.089)
<b>Total accumulated depreciation</b>	<b>(32.630)</b>	<b>(6.711)</b>	<b>8.001</b>	<b>-</b>	<b>(31.340)</b>
Impairment provision	-	-	-	-	-
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>292.651</b>	<b>8.327</b>	<b>(2.877)</b>	<b>49.105</b>	<b>347.206</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 13. Information on intangible assets

##### 13.a Useful lives and amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

##### 13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

##### 13.c Cost and accumulated amortization at the beginning and end of the period:

	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Current Period</b>				
Software	10.935	(6.866)	12.738	(8.677)
Goodwill	1.005	-	1.005	-
	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Prior Period</b>				
Software	9.041	(1.964)	11.946	(6.872)
Goodwill	1.005	-	1.005	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 13. Information on intangible assets (continued)

##### 13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	10.935	2.342	(539)	12.738
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>11.940</b>	<b>2.342</b>	<b>(539)</b>	<b>13.743</b>
Accumulated Amortization				
Software	(6.866)	(2.350)	539	(8.677)
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(6.866)</b>	<b>(2.350)</b>	<b>539</b>	<b>(8.677)</b>
Impairment Provision				
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>5.074</b>	<b>(8)</b>	<b>-</b>	<b>5.066</b>

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	9.042	2.080	(187)	10.935
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>10.047</b>	<b>2.080</b>	<b>(187)</b>	<b>11.940</b>
Accumulated Amortization				
Software	(5.175)	(1.878)	187	(6.866)
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(5.175)</b>	<b>(1.878)</b>	<b>187</b>	<b>(6.866)</b>
Impairment Provision				
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>4.872</b>	<b>202</b>	<b>-</b>	<b>5.074</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 13. Information on intangible assets (continued)

##### 13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2019: None).

##### 13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2019: None).

##### 13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2019: None).

##### 13.h The book value of intangible assets that are pledged or restricted for use:

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2019: None).

##### 13.i Amount of purchase commitments for intangible assets:

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2019: None).

##### 13.j Information on revalued intangible assets according to their types:

The Group did not revalue its intangible assets as at the reporting date (31 December 2019: None).

##### 13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Group has no research and development costs expensed in the current period (31 December 2019: None).

##### 13.l Information on goodwill:

Goodwill on Consolidation	Effective Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005



## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 13. Information on intangible assets (continued)

##### 13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
<b>Net Value at the End of Period</b>	<b>1.005</b>	<b>1.005</b>

##### 13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2019: None).

##### 14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 279.523 (31 December 2019: TL 273.918) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 December 2020 and 31 December 2019 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	36.960	-	-	235	37.195
Pendorya Mall	155.555	4.046	-	(1.171)	158.430
Adana Hotel Project	81.403	-	(172)	2.667	83.898
<b>Total</b>	<b>273.918</b>	<b>4.046</b>	<b>(172)</b>	<b>1.731</b>	<b>279.523</b>

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	28.130	-	-	8.830	36.960
Pendorya Mall	154.155	1.657	-	(257)	155.555
Adana Hotel Project	65.508	-	(2.121)	18.016	81.403
<b>Total</b>	<b>247.793</b>	<b>1.657</b>	<b>(2.121)</b>	<b>26.589</b>	<b>273.918</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 15. Information on deferred tax assets

##### 15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Group has computed deferred tax asset or liability on “temporary differences” arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Assets:</b>	<b>Current Period</b>	<b>Prior Period</b>
Useful life difference of fixed assets	333	-
Loan commissions accrual adjustment	22.687	22.138
Provisions	234.627	129.195
Employee benefit provision	4.178	3.897
Marketable Securities	28.888	2.028
Others <sup>(1)</sup>	13.671	9.179
<b>Total Deferred Tax Asset</b>	<b>304.384</b>	<b>166.437</b>
<b>Deferred tax liabilities:</b>		
Marketable securities	(1.142)	(905)
Borrowings commissions accrual adjustment	(16.122)	(14.744)
Valuation of derivative instruments	(102.189)	(104.207)
Useful life difference of fixed assets	-	(846)
Others	(11.020)	(5.805)
<b>Total Deferred Tax Liability</b>	<b>(130.473)</b>	<b>(126.507)</b>
<b>Net Deferred Tax Asset</b>	<b>173.911</b>	<b>39.930</b>

<sup>(1)</sup> Other item also includes deferred assets for hedge accounting amounting to TL 8.209.

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset/(Liability) - Net	39.930	3.844
Deferred Tax (Loss)/Gain	145.851	89.505
Deferred Tax that is Realized Under Shareholder's Equity <sup>(1)</sup>	(11.870)	(53.419)
<b>Deferred Tax Asset/(Liability) Net</b>	<b>173.911</b>	<b>39.930</b>

##### 15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

No deferred tax difference has been calculated over the previous periods and no tax asset has been calculated and reflected in the balance sheet. (31 December 2019 : None)

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 15. Information on deferred tax assets (continued)

##### 15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Group has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2019: None).

##### 16. Explanation on assets held for sale:

	Current Period	Prior Period
Net book value at beginning of period	64.403	1
Cash Paid for Purchase	-	64.402
Expected Loss (-)	-	-
<b>Net book value at end of period</b>	<b>64.403</b>	<b>64.403</b>

The Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1,6172% stake and amounting to TL 64.403 . The Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2019: TL 64.403).

##### 17. Information about other assets

##### 17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2019: None).

##### II. Explanations and disclosures related to the liabilities

##### 1. Information of maturity structure of deposits

##### 1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

##### 1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 1. Information of maturity structure of deposits (continued)

##### 1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

##### 1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

##### 2. Negative differences table related to derivative financial liabilities

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities Held For Trading <sup>(1)</sup>				
Forward Transactions	63.711	1.253	41.025	142
Swap Transactions	262.653	389.244	236.399	181.127
Futures Transactions	-	-	-	-
Options	-	4.070	-	9.596
Other	-	-	-	-
<b>Total</b>	<b>326.364</b>	<b>394.567</b>	<b>277.424</b>	<b>190.865</b>

<sup>(1)</sup> Financial Liabilities for Hedging Purposes amounting to TL 154.049 (31 December 2019: TL 16.545) are shown in "Derivative Financial Liabilities".

##### 3. Information on banks and other financial institutions

##### 3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	29.000	276.973	513.609	673.969
From Foreign Banks, Institutions and Funds	90.985	31.935.252	122.030	25.318.717
<b>Total</b>	<b>119.985</b>	<b>32.212.225</b>	<b>635.639</b>	<b>25.992.686</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	29.000	100.498	20.109	132.621
Medium and long-term	90.985	32.111.727	615.530	25.860.065
<b>Total</b>	<b>119.985</b>	<b>32.212.225</b>	<b>635.639</b>	<b>25.992.686</b>

##### 3.c Additional information about the concentrated areas of liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	514.482	7.701.750	255.000	5.916.000
Cost	512.718	7.657.597	251.520	5.884.485
Book Value	441.111	8.021.275	253.918	6.023.450

The Parent Bank issued selling of Greenbond in abroad with nominal value of full USD 300 Million, 5 years maturity and for financing the green and sustainable projects The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%.

As of 16 January 2018, the Parent Bank issued the debt instrument which have nominal value of full USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

As of 23 January 2020, the Parent Bank issued Eurobond with the nominal amount of full USD 400 Million. Interest rate of these debt instruments determined as 6% which have the redemption date of 23 January 2025 with fixed interest rate, 5 years maturity and semiannual coupon payment.

Yatırım Finansman Menkul Değerler A.Ş. Has issued debt instruments with a nominal amount of TL 51.500.000 as of 2 November 2020 and a maturity of 86 days at a simple interest rate of 15,05 with a maturity date of 27 January 2021.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

###### 1. Information of maturity structure of deposits (continued)

###### 3. Information on banks and other financial institutions (continued)

###### 3.c Additional information about the concentrated areas of liabilities: (continued)

The details of the issues that Yatırım Varlık Kiralama A.Ş. issued as of December 31, 2020 and whose redemption date has not yet come is as follows:

ISIN Code	Fund User	Issue Amount (TL)	Issue Date	Redemption Date
TRDYVKS2119	Palmet Gaz Grup A.Ş.	150.000.000	27/12/2019	24/12/2021
TRDYVKS32217	Altınmarka Gıda San. ve Tic. A.Ş.	75.000.000	11/03/2020	09/03/2022
TRDYVKS62115	Zorlu Enerji Elektrik Üretim A.Ş.	50.000.000	03/06/2020	02/06/2021
TRDYVKS2119	Zorlu Enerji Elektrik Üretim A.Ş.	40.000.000	06/08/2020	02/02/2021
TRDYVKSE2214	MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş.	75.000.000	14/10/2020	12/10/2022
TRDYVKS42117	Zorlu Enerji Elektrik Üretim A.Ş.	35.000.000	23/10/2020	07/04/2021

(\*) TL 42.390 Thousand taken into the group portfolio is eliminated in financials.

###### 3.d Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	636.503	323.705	369.379	216.152
Financial institutions and organizations	608.519	-	320.343	-
Other institutions and organizations	27.241	318.268	48.417	211.791
Real persons	743	5.437	619	4.361
From Foreign Transactions	6	-	5	446.020
Financial institutions and organizations	-	-	-	446.020
Other institutions and organizations	2	-	2	-
Real persons	4	-	3	-
<b>Total</b>	<b>636.509</b>	<b>323.705</b>	<b>369.384</b>	<b>662.172</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2019: None).

##### 5. Explanations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2019: None).

##### 5.b Explanations regarding operational leases:

As of the reporting date, 2 head office buildings, 8 branches, 24 cars and 327 computers are within the context of operational leasing. (31 December 2019: 9 branches, 24 cars and 327 computers are subject to operational leasing). The Group has liability for operational leases amounting to TL 4.394 as of the reporting date.

##### 5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:

The Group has no sale and lease back transactions as of the reporting date (31 December 2019: None).

##### 6. Negative differences on derivative financial instruments held for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	-	154.049	-	16.545
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	-	<b>154.049</b>	-	<b>16.545</b>

<sup>(1)</sup> Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities".

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **II. Explanations and disclosures related to the consolidated liabilities (continued)**

##### **7. Information on provisions**

###### **7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:**

As of the reporting date, the Bank has no foreign exchange losses on the foreign currency indexed loans (31 December 2019: TL None).

###### **7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:**

The Parent Bank's specific provisions provided for unindemnified non cash loan third stage expected loss provisions amount to TL 1.220 (31 December 2019: TL 838).

The Parent Bank's expected credit loss on non-cash loans is amounting to TL 31.962 (31 December 2019 : TL 23.857).

###### **7.c Information related to other provisions:**

###### **7.c.1 Provisions for possible losses:**

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (31 December 2019: TL 220.000).

###### **7.c.2 Information on employee termination benefits and unused vacation accrual:**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2020, employee termination benefits is amounting TL 16.648 reflected in financial statements (31 December 2019: TL 14.568). As of 31 December 2020, the Bank has provided a reserve for unused vacation amounting to TL 4.673 (31 December 2019: TL 3.526). This balance is classified under reserve for employee benefits in the financial statements.

The actuarial gain amounting to TL 3.507 after 1 January 2020 have been accounted under equity in accordance with the revised TAS 19 standard (31 December 2019: TL 1.034 actuarial loss).

###### **Liabilities on pension rights**

As explained on the Section Three, Accounting Policies, XVII. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2020, the Group has no obligations on pension rights (31 December 2019: None).



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 7. Information on provisions (continued)

##### 7.c Information related to other provisions (continued):

##### 7.c.2 Information on employee termination benefits and unused vacation accrual (continued):

##### *Liabilities for pension funds established in accordance with Social Security Institution*

As of 31 December 2020: None (31 December 2019: None).

##### *Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees*

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.

Accordingly, as of 31 December 2020 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.17, the accounting policies related with employee benefits.

##### 7.c.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

Other provisions, except to free provisions for possible losses, includes amount to TL 31.961 for general provision for non-cash loans and other Miscellaneous provisions. (31 December 2019: TL 23.857).

#### 8. Information on taxes payable

##### 8.a Information on current taxes payable

##### 8.a.1 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Corporate Taxes and Deferred Taxes</b>				
Corporate Taxes Payable	136.723	-	67.608	-
Deferred Tax Liability	1.508	-	-	-
<b>Total</b>	<b>138.231</b>	<b>-</b>	<b>67.608</b>	<b>-</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	136.723	67.608
Taxation of Securities	4.915	1.583
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	9.188	7.358
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	660	545
Other	2.974	5.688
<b>Total</b>	<b>154.460</b>	<b>82.782</b>

##### 8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	203	177
Social Security Premiums-Employer	234	203
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	68	58
Unemployment Insurance-Employer	135	115
Other	29	23
<b>Total</b>	<b>669</b>	<b>576</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2019: None).

##### 9. Information on liabilities regarding assets held for sale

None (31 December 2019: None).

##### 10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 2.299.503.

	Current Period		Prior Period	
	TP	FC	TP	FC
Debt Instruments Subject to Common Equity				
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	2.299.503	-	1.830.045
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	2.299.503	-	1.830.045
<b>Total</b>	-	<b>2.299.503</b>	-	<b>1.830.045</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 11. Explanations on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

##### 11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	4.500.000

##### 11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In the meeting of the General Assembly held on 26 March 2020, it has been resolved that, the Parent Bank has no capital increase in the current period, and it was decided to transfer the 2019 profit to the reserves within the framework of the General Assembly Decision.

In the meeting of the General Assembly held on 26 March 2019, it has been resolved that, the Parent Bank has no capital increase in the current period, and it was decided to transfer the 2018 profit to the reserves within the framework of the General Assembly Decision.

##### 11.d Information on share capital increases from capital reserves:

None (31 December 2019: None).

##### 11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period (31 December 2019: None).

##### 11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Parent Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

##### 11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2019: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****11. Explanations on shareholders' equity (continued)****11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TP	YP	TP	YP
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	<b>110.697</b>	-	<b>23.469</b>	-
<b>Available for Sale Financial Assets</b>	<b>37.946</b>	<b>123.093</b>	<b>79.862</b>	<b>(3.357)</b>
Valuation Differences	(1.905)	123.093	59.148	(3.357)
Foreign Exchange Difference	39.851	-	20.714	-
<b>Total</b>	<b>148.643</b>	<b>123.093</b>	<b>103.331</b>	<b>(3.357)</b>

**11.i Informations on legal reserves:**

	Current Period	Prior Period
First legal reserve	342.095	306.012
Second legal reserve	248	248
Other Legal Reserves Appropriated In Accordance with Special Legislation	373	373
<b>Total</b>	<b>342.716</b>	<b>306.633</b>

**11.j Information on extraordinary reserves:**

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	1.525.800	841.395
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>1.525.800</b>	<b>841.395</b>

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	53.675	34.660
Other Capital Reserves	33	33
Share Premium	88	63
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	907	774
Legal Reserves	203	160
Extraordinary Reserves	665	706
Other Profit Reserves	-	-
Retained Earnings/Accumulated Losses	1.420	(3.943)
Net Profit or Loss	(2.821)	5.637
<b>Total</b>	<b>54.170</b>	<b>38.090</b>

#### III. Explanations and disclosures related to the consolidated off-balance sheet items

##### 1. Information on off-balance sheet liabilities

##### 1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	99.130	21.404
Commitments for Money Market Brokerage Purchase and Sales	191.340	73.508
Commitments for Stock Brokerage Purchase and Sales	149.937	345.846
Commitments for Letter of Credit	438.411	434.273
Commitments from Forward Short Term Borrowing and Transfers	-	-
Capital commitments for subsidiaries and associates <sup>(1)</sup>	127.172	96.782
Other	597.652	332.546
<b>Total</b>	<b>1.603.642</b>	<b>1.304.359</b>

<sup>(1)</sup> The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### III. Explanations and disclosures related to the consolidated off-balance sheet items (Continued)

##### 1.b Possible losses and commitments related to off-balance sheet items including items listed below:

##### 1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credits, surety and acceptance amount to TL 2.852.676 (31 December 2019: TL 2.728.688).

##### 1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee is TL 2.086.162 (31 December 2019: TL 1.819.030).

##### 1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1.322.992	1.816.072
With Maturity of One Year or Less than One Year	175.969	189.403
With Maturity of More than One Year	1.147.023	1.626.669
Other Non-Cash Loans	3.615.846	2.731.644
<b>Total</b>	<b>4.938.838</b>	<b>4.547.716</b>

**TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)****1. Information on off-balance sheet liabilities (continued)****1.c.2 Information on sectoral risk breakdown of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	352.591	99	4.254.936	92	446.093	99	3.875.939	94
Mining	-	-	-	-	-	-	29.417	1
Manufacturing Industry	128.238	36	2.777.836	60	224.957	50	2.312.722	56
Electricity, Gas, Water	224.353	63	1.477.100	32	221.136	49	1.533.800	37
Construction	1.900	1	28.167	1	3.013	1	27.637	1
Services	1.568	-	299.676	7	1.628	-	193.406	5
Wholesale and Retail Trade	-	-	162	-	-	-	3.947	-
Hotel, Food and Beverage Services	-	-	210.766	5	-	-	115.344	3
Transportation and Communication	1.253	-	-	-	1.138	-	-	-
Financial Institutions	249	-	88.748	2	96	-	74.115	2
Real Estate and Leasing Services	66	-	-	-	394	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>356.059</b>	<b>100</b>	<b>4.582.779</b>	<b>100</b>	<b>450.734</b>	<b>100</b>	<b>4.096.982</b>	<b>100</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)****1. Information on off-balance sheet liabilities (continued)****1.c.3 Information on non cash loans classified under Group I and Group II:**

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	345.761	4.577.658	440.861	4.083.632	5.854	5.123	6.547	13.350
Letters of Guarantee <sup>(1)</sup>	345.761	1.730.105	440.861	1.368.294	5.854	-	6.547	-
Bank Acceptances	-	170.915	-	190.447	-	-	-	-
Letters of Credit	-	2.676.638	-	2.524.891	-	5.123	-	13.350
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

<sup>(1)</sup> Letter of guarantee followed up in Group III, IV, And V. are respectively 361 TL, 2.914 TL and 1.167 TL.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

##### 2. Information related to derivative financial instruments

As of 31 December 2020, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Perior	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
TL	283.382	268.566	341.717	4.368.419	71.485	71.485	6.309	6.265	
ABD Doları	172.698	185.079	12.646.784	8.530.145	67.482	67.482	-	-	17.414.512
Avro	221.041	221.032	4.290.135	4.118.945	-	-	-	-	2.426.254
Diğer	-	-	149.341	151.674	-	-	-	-	-
<b>Toplam</b>	<b>677.121</b>	<b>674.677</b>	<b>17.427.977</b>	<b>17.169.183</b>	<b>138.967</b>	<b>138.967</b>	<b>6.309</b>	<b>6.265</b>	<b>19.840.766</b>

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
TL	1.359.615	1.355.680	664.611	2.618.503	444.061	443.961	-	-	
ABD Doları	1.067.693	1.068.050	12.393.207	7.923.738	259.855	259.855	-	-	16.520.430
Avro	268.272	268.400	3.282.915	5.357.345	184.034	184.034	-	-	
Diğer	-	-	-	147.015	157.687	-	-	-	
<b>Toplam</b>	<b>2.695.580</b>	<b>2.692.130</b>	<b>16.340.733</b>	<b>16.046.601</b>	<b>1.045.637</b>	<b>887.850</b>	<b>-</b>	<b>-</b>	<b>16.520.430</b>

## TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### III. Explanations related to the consolidated off-balance sheet items (continued)

##### 2. Information related to derivative financial instruments (continued)

	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
<b>Derivative Financial Liabilities Held For Trading</b>						
Swap Transactions	630.624	340.386	14.147.904	663.432	286.316	13.847.767
Interest Rate Swap Transactions	376.864	311.511	20.449.256	177.133	130.228	18.697.254
Forward Transactions	66.249	64.964	1.351.798	44.287	41.167	5.387.710
Futures Transactions	-	-	-	-	-	-
Option Transactions	4.070	4.070	277.934	9.596	9.596	1.775.800
Other	-	-	12.574	-	-	-
<b>Total</b>	<b>1.077.807</b>	<b>720.931</b>	<b>36.239.466</b>	<b>894.448</b>	<b>467.307</b>	<b>39.708.531</b>

##### *Fair value hedges*

For the year ended 31 December 2020 the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 19.840.766 (31 December 2019: TL 16.520.430).

##### *Hedging from the cash-flow risk*

As of 31 December 2020 there is no cash-flow hedging transactions (31 December 2019: None).

##### **3. Explanations on loan derivatives and risk exposures**

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2019: None).

##### **4. Explanations on contingent liabilities and assets**

There are 70 legal cases against the Group which are amounting to TL 6.024 as of the reporting date (31 December 2019: TL 5.251 - 69 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge/penalized stamp duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Parent Bank relying on this report.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **III. Explanations related to the consolidated off-balance sheet items (continued)**

###### **4. Information related to derivative financial instruments (continued)**

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the Parent Bank and an amount of TL 12.750 corresponding to the portion that the Parent Bank was obliged to pay for the related period is recognized as income in the prior period.

Due to the ownership of Pendorya Shopping Mall, which is built on the real estate registered in Istanbul Province, Pendik District, Doğu Mahallesi, plot 105, map 865, parcel 64 owned by TSKB GYO, Sağlam Satış ve Paz. A.S. (Malazlar A.Ş.) At the Pendik 2nd Civil Court of First Instance, the grounds that a part of the side road construction around Pendorya AVM passed through the parcels owned by the IBB Directorate and the road contractor Karacan Yapı, preventing the use of the sidewalks and surplus has filed a lawsuit demanding the collection of 7 TL of compensation from the defendants, without prejudice to the rights regarding this issue. Company has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision. The Court decided to apply of Supreme Court's decision to dismiss. The notification of reasoned decision is expected.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

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### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **III. Explanations related to the consolidated off-balance sheet items (continued)**

###### **4. Information related to derivative financial instruments (continued)**

Beyoğlu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoğlu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoğlu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoğlu Municipality approved the reclaim. However, there has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. That's why, decision was appealed by the company. The Council of State reversed the judgement based on unappropriate zoning plan changes with the decision of 28 March 2014. In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO's application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form. In the case which was started to discuss again in court; an expert opinion examination was made. The Court has ruled in favor of the Parent Bank by canceling the administrative proceeding. In the legal period, the appeal law was appealed by the Beyoğlu Municipality and was sent to the Council of State upon the decision of the Court of Appeal by the Court of Appeal. The decision of the Council of State for the cancellation of the administrative act in favor of the Group was approved and the decision became final.

A lawsuit was filed by one of the investors of TSKB GYO on the cancellation of the 5th, 7th and 9th articles decided at the Ordinary General Assembly meeting on 27 April 2018. Although the request for the case was demanded to stop the execution of the 5th and 7th articles, the request for interim injunction requested for the suspension of the execution was rejected and an appeal was filed by the plaintiff. The notification of the reasoned decision is expected.

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

###### **5. Custodian and intermediary services**

The Group provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement

##### 1. Information on interest income

##### 1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans <sup>(1)</sup>				
Short Term Loans	170.602	124.361	207.551	109.216
Medium and Long Term Loans	326.549	1.729.014	357.131	1.525.484
Interest on Non-performing Loans	24.247	47.587	9.663	51.003
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>521.398</b>	<b>1.900.962</b>	<b>574.345</b>	<b>1.685.703</b>

<sup>(1)</sup> Commission income from loans has been included to the interest on loans.

##### 1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey <sup>(1)</sup>	72	-	7.101	-
Domestic Banks	22.820	4.504	26.541	25.891
Foreign Banks	1.423	4.032	1.417	6.472
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>24.315</b>	<b>8.536</b>	<b>35.059</b>	<b>32.363</b>

<sup>(1)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

##### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	1.643	-	1.327	-
Financial Assets at Fair Value Through Other Comprehensive Income	257.592	150.749	370.504	71.792
Financial Assets Measured at Amortized Cost	351.645	12.837	199.903	26.895
<b>Total</b>	<b>610.880</b>	<b>163.586</b>	<b>571.734</b>	<b>98.687</b>

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2020.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement (continued)

##### 1. Information on interest income (continued)

##### 1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	27.073	18.588

##### 2. Faiz giderlerine ilişkin bilgiler

##### 2.a Kullanılan kredilere verilen faizlere ilişkin bilgiler:

	Current Period		Prior Period	
	FC	TL	FC	YP
Banks	27.001	145.560	60.515	100.375
The Central Bank of Turkey	-	-	-	-
Domestic Banks	12.343	21.319	50.352	21.548
Foreign Banks	14.658	124.241	10.163	78.827
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	1.455	432.219	2.794	505.634
<b>Total <sup>(1)</sup></b>	<b>28.456</b>	<b>577.779</b>	<b>63.309</b>	<b>606.009</b>

<sup>(1)</sup> Commissions given to the Banks and Other Institutions are presented under interest expense.

##### 2.b Information on interest expenses to associates and subsidiaries:

There is no interest expense to its associates and subsidiaries (31 December 2019: None).

##### 2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	FC	TL	FC	TL
Interest on securities issued <sup>(1)</sup>	-	649.385	-	565.831

<sup>(1)</sup> Commissions given to issuance have been included to interest expense.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement (continued)

##### 3. Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	10.857	5.707
Other	-	1.047
<b>Total</b>	<b>10.857</b>	<b>6.754</b>

##### 4. Information on net trading income (net)

	Current period	Prior period
<b>Profit</b>	<b>4.651.127</b>	<b>3.667.342</b>
Gains on capital market operations	9.111	6.645
Gains on derivative financial instruments <sup>(1)</sup>	3.052.616	2.173.190
Foreign exchange gains	1.589.400	1.487.507
<b>Losses (-)</b>	<b>4.661.934</b>	<b>4.086.465</b>
Losses on capital market operations	3.992	2.908
Losses on derivative financial instruments <sup>(1)</sup>	3.113.814	2.662.268
Foreign exchange losses	1.544.128	1.421.289

<sup>(1)</sup> Foreign exchange gain from derivative transactions amounting to TL 1.521.917 is presented in "Gains on derivative financial instruments" (31 December 2019: TL 7.859.644), foreign exchange loss from derivative transactions amounting to TL (716.363) is presented in "Losses on derivative financial instruments" (31 December 2019: TL (1.238.652)).

##### 5. Information related to other operating income

	Current Period	Prior Period
Provisions Released <sup>(1)</sup>	1.997	27.199
Gains on Sale of Assets	85	1.025
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	106
From Property Sales	75	837
From Other Asset Sales	10	82
Other	136.452	37.326
<b>Total</b>	<b>138.534</b>	<b>65.550</b>

<sup>(1)</sup> Includes 126.963 TL of income regarding the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating expenses as well, and is shown as gross without netting for reporting purposes.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the consolidated income statement (continued)****6. Provision expenses related to loans and other receivables of the Group**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	887.994	418.518
12 Months Expected Credit Loss (Stage 1)	257.653	50.994
Significant Increase in Credit Risk (Stage 2)	230.386	143.607
Non-performing Loans (Stage 3)	399.955	223.917
Marketable Securities Impairment Expenses	123.670	42.113
Financial Assets at Fair Value Through Profit or Loss	101.360	34.196
Financial Assets at Fair Value Through Other Comprehensive Income	22.310	7.917
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
<b>Total</b>	<b>1.011.664</b>	<b>460.631</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement (continued)

#### 7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	5.850	1.777
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	7.001	6.711
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	2.350	1.878
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	60.320	53.860
Rent Expenses	1.312	1.108
Maintenance Expenses	3.375	2.178
Advertisement Expenses	1.069	1.469
Other Expenses	54.564	49.105
Loss on Sales of Assets	-	-
Other <sup>(1)</sup>	152.497	34.791
<b>Total</b>	<b>228.018</b>	<b>99.017</b>

<sup>(1)</sup> Includes TL 126.963 of expense related to the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating income as income, and is shown as gross without netting for reporting purposes. In addition, it includes TL 5.996 excluding corporate tax tax and fees (31.12.2019: tax and fee expenses excluding corporate tax: TL 12.504) and TL 1.146 leave provision expense (31.12.2019: vacation provisions expense: TL 701).

#### 8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2020, profit before tax of the Group has increased by 0,3% as compared to the prior period (31 December 2019: 2% increase). In comparison with the prior period, the Group's net interest income has increased by 6% (31 December 2019: 11% increase).

## **TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **IV. Explanations and disclosures related to the consolidated income statement (continued)**

##### **9. Information on tax provision for continued and discontinued operations**

###### **9.a Information on current tax charge or benefit and deferred tax charge or benefit:**

The Group's current tax charge for the period is TL 372.725 (31 December 2019: TL 286.837). Deferred tax income is TL 145.851 (31 December 2019: TL 89.505 income).

###### **9.b Information related to deferred tax benefit or charge on temporary differences:**

Deferred tax income calculated on temporary differences is TL 145.851 (31 December 2019: TL 89.505 income).

###### **9.c Information related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:**

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2019: None)

##### **10. Explanations on net profit/loss from continued and discontinued operations:**

As of 31 December 2019, the Group's profit before tax has decreased by 4% compared to the prior period.

##### **11. Information on net profit/loss**

###### **11.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Group has generated TL 3.336.674 of interest income, TL 1.314.289 of interest expenses and TL 118.915 of net fee and commission income from banking operations (31 December 2019: TL 3.313.001 interest income, TL 1.401.717 interest expense, TL 65.103 net fee and commission income).

###### **11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There has no change in the accounting estimates and accordingly effect on the financial statement items. (31 December 2019: None).

###### **11.c Minority share of profit and loss:**

The current year income attributable to minority shares is TL 2.821 (31 December 2019: TL 5.637 profit). The total shareholders' equity, including current year profit attributable to minority shares is TL 54.170 (31 December 2019: TL 38.090).

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement (continued)

##### 12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below

	Current Period	Prior Period
Gains on Other Fees and Commissions	-	-
Gains on Brokerage Commissions	71.904	38.201
Commissions from Initial Public Offering	2.904	778
Investment Fund Management Income	4.408	2.713
Other	23.035	12.062
<b>Total</b>	<b>102.251</b>	<b>53.754</b>

#### V. Explanations related to consolidated statement of changes in shareholders' equity

##### 1. Information related to capital

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 342.716 Extraordinary legal reserves is TL 1.525.800.

##### 2. Accumulated other comprehensive income or loss not reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

##### 3. Accumulated other comprehensive income or loss reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION FIVE (Continued)**

#### **EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **VI. Explanations related to consolidated statement of cash flows**

###### **1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents**

In the current period, other income amounting to TL 65.373 consists of gain from sale of assets and non-interest income (31 December 2019: TL 80.871 other income consists of other income, gain from sale of assets and non-interest income.)

Other caption in changes in assets and liabilities from banking operations amounting to TL 365.917 (31 December 2019: TL 376.080) consists of derivative financial transaction losses, other operating expenses, except employee termination benefits provision and depreciation expense and taxes paid, fees and commissions paid and foreign exchange gain and loss.

In the current period, net increase/decrease in other assets amounting to TL 428.298 (31 December 2019: TL 310.064) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 740.144 (31 December 2019: TL 577.683) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 11.319 (31 December 2019: TL 4.354).

###### **2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:**

In the current period, the Group invested TL 10.965 tangible fixed assets and properties and invested TL 2.159 in intangible fixed assets. After the capital increase of TL 200,000,000 (full amount) made by TSKB GYO, the Group acquired TSKB GYO shares in the amount of TL 179,403, the same amount is eliminated within the scope of the consolidation works.

In the prior period, the Group invested TL 9.698 in tangible fixed assets and properties and invested TL 2.080 in intangible fixed assets.

The Parent Bank provided cash participation to share capital of its subsidiaries amounting TL 990 in prior period.

###### **3. Information about disposal of associates, subsidiaries, and other investments:**

In the current period, the Group has generated a cash inflow of TL 280 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 5.592 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VI. Explanations related to consolidated statement of cash flows (Continued)

##### 4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	29	29
Cash Equivalents	779.773	1.385.796
<b>Total</b>	<b>779.802</b>	<b>1.385.825</b>

Cash and cash equivalents at the end of period:

	End of the Current Period	End of the Prior Period
Cash	20	29
Cash Equivalents	1.864.604	779.773
<b>Total</b>	<b>1.864.624</b>	<b>779.802</b>

##### 5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 1.011.244 (31 December 2019: TL 796.067) in Turkish Republic Central Bank represent of Turkish Lira, foreign currency and gold reserve requirements of the Parent Bank.

##### 6. Additional information related to financial position and liquidity

##### 6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

##### 6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VII. Explanations on the risk group of the Parent Bank

##### 1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

###### 1.a Current period:

Risk Group of the Parent Bank <sup>(1)</sup>	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	545.560	27.938	118.394	-	39.529	-
Balance at the end of the period	628.837	515	294.689	-	24.747	-
Interest and commission income received	25.824	143	10.764	-	1.912	-

<sup>(1)</sup> Mutual transactions between the Parent Bank and its fully consolidated subsidiaries are eliminated.

###### 1.b Prior period:

Risk Group of the Parent Bank <sup>(1)</sup>	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	437.232	262	102.776	-	59.858	-
Balance at the end of the period	545.560	27.938	118.394	-	39.529	-
Interest and commission income received	17.827	761	7.453	-	3.578	-

<sup>(1)</sup> Mutual transactions between the Parent Bank and its fully consolidated subsidiaries are eliminated.

###### 1.c Information on deposit held by Parent Bank's own risk group:

The Parent Bank is not authorized to accept deposits.

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VII. Explanations on the risk group of the Parent Bank (Continued)

##### 2. Information on forward and option agreements and other similar agreements made with related parties

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	364.732	-	-	-	131.758
End of the Period	15.247	-	-	-	-	-
Total Profit/Loss	(34.750)	(20.179)	-	-	(915)	(2.231)
<b>Hedging Risk Transactions</b>						
Beginning of the Period			-	-		
End of the Period			-	-		
Total Profit/Loss			-	-		

##### 3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to key management personnel in the current period amount to TL 21.782 (31 December 2019: TL 19.837).

#### VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank

##### 1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group

	Number	Number of Employees			
Domestic branches <sup>(1)</sup>	1	389	Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

<sup>(1)</sup> Consolidated subsidiaries have 8 branches and 125 personnels which are not presented in the table.

##### 2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches (31 December 2019: None).



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX

#### OTHER EXPLANATIONS

##### I. Other explanations related to the operations of the Parent Bank

#### FITCH RATINGS

##### 1.a Brief information related to rating carried out by international rating firms:

Long-term Maturity Foreign Currency (issuer)	B+
Long-term Maturity Foreign Currency Outlook (issuer)	Negative
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB-
Long-term Maturity National Currency Outlook (issuer)	Negative
Short-term Maturity National Currency (issuer)	B
Support Note	4
Base Support Note	B
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	B
Financial Capacity Note	b+

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 1 September 2020 and determined Bank's "Financial Capacity Note".

#### MOODY'S

Reference Financial Rating Note	caa1
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Unsecured Debt-Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note	(P) B3

Information above represents updated information as of 18 June 2019.

## **TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### **SECTION SIX (Continued)**

#### **OTHER EXPLANATIONS (Continued)**

##### **I. Other explanations related to the operations of the Parent Bank (continued)**

###### **1.b Informations on corporate governance rating of the Parent Bank:**

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,64% (9,56 over 10) as of 19 October 2020. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,39 (Weight: 35%) over 10 respectively.

##### **II. Other explanations related to the events after the reporting date**

The Bank issued debt instrument in abroad which have nominal value of full USD 350 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 14 January 2021, was determined as 14 January 2026 and the coupon rate was 5,875%.

### **SECTION SEVEN**

#### **AUDITORS' REPORT**

##### **I. Explanations on the auditors' report**

The consolidated financial statements as of and for the year ended 31 December 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 1 February 2021 is presented in the introduction of this report.

##### **II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Group's operation.



# 6

## ANNEXES

- 522** Sustainability Principles Compliance Report
- 533** UNEP-FI Responsible Banking Principles Reporting Index
- 547** GRI Index
- 557** The Statement of Responsibility



# SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
<b>A. General Principles</b>			
<b>A1. Strategy, Policy and Targets</b>			
The Board of Directors determines material ESG issues, risks and opportunities and establishes relevant ESG policies accordingly. In terms of the effective implementation of these policies; internal guidelines, work procedures etc. can be developed. The Board of Directors takes decisions for these policies and they are publicly disclosed.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/sustainability-management">https://www.tskb.com.tr/en/sustainable-banking/sustainability-management</a>	-
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a>	-
Determines the Company Strategy in line with the ESG policies, risks and opportunities. It sets and publicly discloses short-term and long-term targets conforming to the Company Strategy and ESG policies.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
<b>A2. Implementation/Monitoring</b>			
Determines and publicly discloses the committees/units responsible for the execution of ESG policies. The responsible committee/unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee">https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee</a> <a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Creates and publicly discloses implementation and action plans in line with the short-term and long-term targets set.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a> <a href="http://www.tskb.com.tr/en/financial-institutions/publications">http://www.tskb.com.tr/en/financial-institutions/publications</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
Determines and announces Key ESG Performance Indicators (KPIs) on a yearly basis. In the presence of verifiable data, it presents KPIs with local and international sector comparisons.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
Discloses the innovation activities that improve the sustainability performance for business processes or products and services.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
<b>A3. Reporting</b>			
Reports and publicly discloses its sustainability performance, targets and actions at least once a year. It discloses information on its sustainability activities within the scope of the annual report.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals



Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
It is essential to share information, which is important for stakeholders in understanding the position, performance and development of the Company, in a direct and concise manner. It can also disclose detailed information and data on the website, and prepare separate reports that directly fulfilling the needs of different stakeholders.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a> <a href="https://www.tskb.com.tr/en/financial-institutions/publications">https://www.tskb.com.tr/en/financial-institutions/publications</a>	Allocation and Impact Reporting, Sustainability Reports, CDP Reports and CoP Reports
Exercises utmost care in terms of transparency and reliability. It objectively explains all developments related to material issues in disclosures and reportings within the scope of the balanced approach.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan
Gives information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial Capital
Makes disclosures regarding the lawsuits filed and/or concluded against environmental, social and corporate governance issues.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Corporate Governance and Risk Management
<b>A4. Verification</b>			
Discloses publicly its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and endeavors to increase such verifications.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Assurance Letters and Certificates
<b>B. Environmental Principles</b>			
Discloses its policies and practices, action plans in relation to environmental management, environmental management systems (known by the ISO 14001 standard) and programs.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/sustainability-management">https://www.tskb.com.tr/en/sustainable-banking/sustainability-management</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital 2020 Integrated Annual Report/ Assurance Letters and Certificates



## SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Complies with laws and other relevant regulations on the environment and discloses them.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>	-
Specifies the scope of the environmental report, reporting period, reporting date, data collection process and restrictions regarding reporting conditions to be included in the report to be prepared within the scope of the Sustainability Principles.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/sustainability-management">https://www.tskb.com.tr/en/sustainable-banking/sustainability-management</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the highest person in charge, related committees on the issues of environment and climate change and their responsibilities.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee">https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the incentives it offers for the management of environmental issues, including the achievement of targets.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Explains how environmental matters are integrated into business targets and strategies.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses sustainability performances associated with business processes or products and services, along with improvement steps therefor.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Explains how it manages environmental issues not just with respect to its direct operations but throughout the Company's value chain and how it integrates suppliers and clients into its strategies.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- - 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital



<b>Principles</b>	<b>Compliance (Yes/No/Partial/ Irrelevant)</b>	<b>Related Links</b>	<b>Related Section</b>
Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); environmental associations that it is a member of, its collaborations with related organizations and non-governmental organizations, and the tasks it undertakes and the activities it supports, if any.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial - Natural Capital
Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; Greenhouse gas emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications)	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the standards, protocols, methodology and base year details for collecting and calculating its data.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital 2020 Integrated Annual Report/ Assurance Letters and Certificates
Discloses the status of environmental indicators for the reporting year in comparison with previous years (increase or decrease).	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Sets and discloses its short-term and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties. Also provides information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital
Discloses its strategy and actions to combat the climate crisis.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a> <a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital CDP Reports



## SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers; explains its actions for driving reduction of GHG emission quantities of third parties.	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/sustainability-finance/environmental-and-social-risk-evaluation">https://www.tskb.com.tr/en/sustainable-banking/sustainability-finance/environmental-and-social-risk-evaluation</a>	-
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	CDP Reports
Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial - Natural Capital
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital CDP Reports
Reports the total energy consumption data (excluding raw materials) and discloses its energy consumption as Scope-1 and Scope-2.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	CDP Reports
Provides information about the electricity, heat, steam and cooling generated and consumed during the reporting year.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	CDP Reports
Conducts studies on increasing the use of renewable energy, transition to zero or low carbon electricity and explains these studies.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial - Natural Capital
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	CDP Reports





<b>Principles</b>	<b>Compliance (Yes/No/Partial/ Irrelevant)</b>	<b>Related Links</b>	<b>Related Section</b>
Discloses data on its renewable energy generation and consumption.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Reports the amount of underground or overground water withdrawn, consumed, recycled and discharged, the resources and procedures (Total water withdrawal on the basis of resources, water resources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.).	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a>	CDP Reports
Discloses the carbon credits saved or purchased during the reporting period.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital 2020 Integrated Annual Report/ Assurance Letters and Certificates
Discloses the details if carbon pricing is applied within the Company.	No	-	TSKB continues to work intensely on climate risks and opportunities. Following the developments, the next stage, carbon pricing will be reviewed.
Discloses all compulsory and voluntary platforms that it reports its environmental information to.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital



# SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
<b>C. Social Principles</b>			
<b>C1. Human Rights and Employee Rights</b>			
Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and the regulatory framework and legislation governing the human rights and work life in Turkey. Discloses the policy and the roles and responsibilities associated for its implementation.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy">https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy</a>	-
		<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/human-resources">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/human-resources</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital
Provides equal opportunity in recruitment processes. In its policies, it incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.) while looking out for the effects of supply and value chain.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy">https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy</a>	-
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital
Explains the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf</a>	-



Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor. Explains the regulations to prevent child labor.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf</a>	-
Discloses its policies regarding investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management. Determines the mechanisms for resolution of employee complaints and labor disputes, and determines conflict resolution process. Regularly discloses the activities for ensuring employee satisfaction.	Yes	<a href="https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist">https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/careers-at-tskb/training-development-at-tskb">https://www.tskb.com.tr/en/about-us/careers-at-tskb/training-development-at-tskb</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/tskb-contact-form">https://www.tskb.com.tr/en/about-us/tskb-contact-form</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital 2020 Integrated Annual Report/ Corporate Governance and Risk Management
Establishes and discloses occupational health and safety policies. Discloses the measures adopted for protection against workplace accidents and for protecting occupational health along with statistical data on accidents.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist">https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Appendix
Establishes and discloses personal data protection and data security policies.	Yes	<a href="https://www.tskb.com.tr/en/privacy-policy">https://www.tskb.com.tr/en/privacy-policy</a>	-
Establishes and discloses a code of ethics (including business, business ethics, compliance processes, advertising and marketing ethics, clear disclosure efforts, etc.)	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>	-
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf</a>	-
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf">https://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf</a>	-



# SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses its activities and initiatives in relation to social investment, social responsibility, financial inclusion and access to finance.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>	-
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf</a>	-
		<a href="https://www.tskb.com.tr/en/about-us/corporate-social-responsibility">https://www.tskb.com.tr/en/about-us/corporate-social-responsibility</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Social Capital
Organizes information meetings and training programs for employees on ESG policies and implementations.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
<b>C2. Stakeholders, International Standards and Initiatives</b>			
Carries out its sustainability activities by taking into consideration the needs and priorities of all its stakeholders (employees, clients, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/anti-bribery-and-anti-corruption-programme-17-06-2016.pdf">https://www.tskb.com.tr/i/assets/document/pdf/anti-bribery-and-anti-corruption-programme-17-06-2016.pdf</a>	-
Develops and discloses a client satisfaction policy regarding the management and resolution of client complaints.	Yes	<a href="https://www.tskb.com.tr/en/about-us/tskb-contact-form">https://www.tskb.com.tr/en/about-us/tskb-contact-form</a>	-
		<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Corporate Governance and Risk Management
Maintains continuous and transparent communication with its stakeholders; It discloses with which stakeholders it communicates for what purpose, about which topic and how often, and the progress achieved in sustainability activities.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan



Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	Allocation and Impact Reporting, Sustainability Reports, CDP Reports and CoP Reports 2020 Integrated Annual Report/ About the Report 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.) that it is a member or signatory of, and international principles it embraces (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/stakeholder-engagement">https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/stakeholder-engagement</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital 2020 Integrated Annual Report/ Appendix
Makes concrete efforts to qualify for inclusion in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).	Yes	<a href="https://www.tskb.com.tr/en/sustainable-banking/esg-risk-rating">https://www.tskb.com.tr/en/sustainable-banking/esg-risk-rating</a> <a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
<b>D. Corporate Governance Principles</b>			
Makes maximum effort to comply with all Corporate Governance principles in addition to the compulsory Corporate Governance principles under the Capital Markets Board Corporate Governance Communiqué numbered II-17.1.	Yes	<a href="https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd">https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd</a>	-
Takes into consideration the sustainability issue, environmental impacts of its operations and related principles while determining its corporate governance strategy.	Yes	<a href="https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd">https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd</a>	-



## SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Takes the necessary measures to comply with the principles regarding the stakeholders as stated in the Corporate Governance Principles and to strengthen the communication with the stakeholders. It takes its stakeholders' opinions for determining the sustainability-related measures and strategies.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human - Natural Capital
Works on raising awareness on sustainability and its importance through social responsibility projects, awareness activities and trainings.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Social Capital
Makes efforts to become a member of sustainability -related international standards and initiatives and to contribute to related studies.	Yes	<a href="https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020">https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020</a>	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital
Discloses its anti-bribery and anti-corruption policies and programs and those on the tax integrity principle.	Yes	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf</a> <a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>	-

# UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

### Reporting and Self-Assessment Requirements

### High-level summary of bank's response

### Reference(s)/Link(s) to bank's full response/ relevant information

1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Celebrating its 70<sup>th</sup> year in the Turkish banking sector in 2020, TSKB was established in Istanbul in 1950 as Turkey's first private development and investment bank with the support of the World Bank and the Central Bank of Turkey, and with the share ownership of commercial banks. TSKB's headquarters is located in Istanbul, operating with 344 people as of the end of 2020. The Bank has a branch in Ankara. The Bank does not have any operations outside Turkey.

Since its establishment, TSKB has been supporting Turkey's sustainable development through its Corporate Banking, Investment Banking and Advisory Services. The Bank's portfolio of products and services is illustrated on page 10 of the 2020 Integrated Annual Report.

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

TSKB provides medium to long-term financing products tailored to sustainable investment projects in different sectors with a wide range of options, particularly corporate loans and project financing. In 2020, TSKB disbursed USD 1.3 billion in cash loans to its customers within the scope of the Corporate Banking and Project Finance activities. The main areas among new loans disbursed in 2020 were investments in electricity generation and distribution activities, industrial development, support for women employment and developing regions, energy and resource efficiency, infrastructure and the investment and working capital needs of the SMEs and the Midcaps operating in sectors such as automotive, textiles, chemicals and plastics, packaging, food, logistics, iron and steel and machinery.

The Bank also increases its sphere of influence by offering loans to SMEs and exporters through financial leasing and factoring companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking). TSKB reached 1,551 SMEs in the last three years through wholesale banking loans creating 1,079 new jobs.

Distinguishing itself within the finance sector by its unique banking model that provides solutions to tackle the threat of climate change and support the transition to a low-carbon economy, as well as which extends sustainability themed loans, TSKB's support for investments such as renewable energy, energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. As of 2020, the total installed capacity for renewable energy projects financed has reached at 6,594 MW representing 13.3% of Turkey's total installed capacity in renewable energy and around 1,500 additional women have joined in the labour force with the financing support of TSKB under the women empowerment and gender equality themes.

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TSKB Website  
IR Presentation (2020 Q4)



## UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

TSKB also guides companies on their growth journey with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition (M&A) advisory and offers an investment banking experience to its customers at international standards. In 2020, the first lease certificate issuance in the food sector was realized with Altınmarka Gıda and the first lease certificate issuance in the logistics sector realized with MNG Cargo. In addition to these transactions, the issuance of the first sustainable lease certificate realized with Zorlu Energy was the first of its kind not only in Turkey but also in the world in terms of its scope.

Another priority issue for TSKB is the diversification and development of new products to support environmental and social development. Having a long history and extensive experience in sustainable banking, the Bank deploys its know-how and expertise to implement innovative products. In this line, in May 2020 the Bank has been rated as the best bank in Turkey on the basis of its Environmental, Social and Governance (ESG) performance and ranked 6<sup>th</sup> out of 372 banks worldwide, and afterwards in November 2020 the Bank has signed the first loan agreement to be linked to its ESG risk rating that was the first of its kind in Turkey.

TSKB's key performance indicators and ratios are illustrated on page 11 of the Integrated Report.

TSKB works to align its business strategy with the most relevant goals in the Sustainable Development Goals (SDGs), Paris Climate Agreement and relevant national and regional frameworks. In this respect, the Bank's sustainable and responsible banking approach is outlined in its priorities, activities and targets whereas the Bank seeks the ways to support the planet in achieving the goals of the SDGs and Paris Climate Agreement through its lending activities. TSKB adopts a long-term value creation model that focuses on five categories of capital, mainly natural and social capitals, and sets numerous sustainability goals and commitments. The 2020 target realizations and the 2021 targets on based on capitals classification are given on pages 64-65, 73-75, 86-87, 92-95, 104-105 and 112-113 of the 2020 Integrated Annual Report.

1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Building on this, in 2020 TSKB has continued to finance projects that create positive environmental and social impacts by centering the SDGs. For example, the "SDG Mapping Project" has been completed and launched in 2020 after two years of hard work. Through this project, mapping and reporting studies have been carried out on the loan portfolio in order to measure the direct and indirect contribution of the Bank's lending activities to the SDGs. As a result of this analysis, SDG 1, SDG 7, SDG 8, SDG 9, SDG 12, SDG 13 and SDG 17 have stood out among others. While the Bank is continuing and will continue its support to the SDGs through its three business lines, the Bank has determined new long-term SDG-related targets within its 2020 Integrated Annual Report. (2020 Integrated Annual Report Page 94) Furthermore, TSKB has developed and implemented the "SDG Loan Model" with the support of its subsidiary Escarus, through which a self-assessment is conducted for companies regarding their social, economic and environmental impacts and action plans are designed for better SDG alignment. The objective is to incentivize the companies to improve their corporate performance on SDGs by providing more favorable loan terms and improving the pricing terms in line with the companies' sustainable performance. (2020 Integrated Annual Report Page 46) In the coming future, the Bank will continue to provide SDG-related financing through its themed global funds in the field of sustainable finance where the effects of the Covid-19 pandemic and climate change are being felt keenly.

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Speaking of climate change, TSKB follows meticulously the issue of climate change and works to provide external funds to Turkey in combatting climate change as well as support the works carried out by the Turkish government. Given that the climate change is an important issue of the TSKB Sustainability Committee's agenda, TSKB follows closely the Conference of the Parties (COP) which meets every year with the participation of representatives from a number of countries, public and private sector players and a wide range of non-governmental organizations. In 2015, TSKB participated at the COP21 where the Paris Agreement was established and declared and since then has been participating in all COP conferences. This allows TSKB to follow up on the world agenda and to share its know-how and expertise on the issue of climate change in Turkey where bank employees are involved as panelists and speakers. (2020 Integrated Annual Report Page 90)





Moreover, the European Union which is at forefront of international efforts to fight climate change has taken an important step towards the European Green Deal announced in December 2019. The European Green Deal, which sets out ambitious measures and policies in line with the goals of Paris Climate Agreement, is expected to have significant effects on Turkey which has strong trade relations with the EU. In this context, TSKB has announced the establishment of the Green Swan Platform in October 2020 in order to act jointly against the climate change which is the biggest obstacle to sustainable and inclusive development and to raise awareness of climate change. TSKB aims to bring together representatives of the public and private sectors with NGOs, international organizations, academics, students and members of the media under the umbrella of this platform.

TSKB has also established the Climate Risks Working Group in 2020 in order to integrate climate risks into its work processes and intensify its work on the impact created through lending activities. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

## Principle 2: Impact Analysis and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:



a) Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/ regions in which it operates.

TSKB, in line with the principles of sustainable and responsible banking and within the scope of the Sustainability Management System (SMS), gives special importance to objectively determining the potential risks and impacts via the environmental and social assessment of the projects it finances, as well as the management of the environmental impacts arising from its operational activities.

#### Impacts from Operational Activities:

Within the scope of the SMS, the consumption of electricity, water, natural gas, etc. is periodically monitored  and work is carried out towards the reduction targets. The Bank carries out all of its activities within the framework of the ISO 14001 Environmental Management System Standard. Holding the ISO14001 Certificate since 2007 , TSKB aims to ensure the continuity of its ISO 14001 Certification.

In addition, TSKB started measuring its carbon footprint in 2006 in order to support the transition to a low-carbon economy and emphasize its pioneering identity in this area. TSKB calculates the greenhouse gas emissions arising from its operational activities and neutralises its emissions through the voluntary carbon markets. TSKB, which launched zero carbon banking, has been carrying out its activities in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard since 2012. (2020 Integrated Annual Report Page 86-87)

#### Environmental and Social Risk Evaluation Tool (ERET):

TSKB designed The ERET - Environmental and Social Risk Assessment Tool in 2005 for management of environmental and social risks and impacts of investment projects. This Tool is applied with a sustainability approach that meets the environmental, social and occupational health and safety (OHS) standards of development finance organizations. The ERET Model is prepared on the basis of the standards set out by the IFC and the World Bank and also in line with the criteria laid out in the Equatorial Principles, which are applied by banks operating in developed economies. Via the environmental and social management plans developed and implemented as a result of this tool, it is aimed to minimize the negative impacts of investment projects and to bring the positive effects to the forefront. As of the end of 2020, the share of investment loans in the total loan portfolio was 67%, and the ERET Model was applied to all of them.

In 2020, the ERET Model was reviewed with a comprehensive study and the necessary updates were carried out to keep the model in line with the environmental and social risk management principles in the international finance sector.

In addition, TSKB has expanded the scope of its environmental and social risk management approach to include working capital loans and created the ERET for Working Capital Loans (Environmental and Social Risk Evaluation Tool for Working Capital Loans).

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## UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

### Portfolio Impact Analysis Tool for Banks:

In 2020, TSKB expanded its studies to further identify and evaluate the positive and negative impacts of its financing activities in all its aspects and continued to mature its impact analysis approach.

d) Scale and intensity/saliency of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/saliency of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

In this context, TSKB has applied the "Portfolio Impact Analysis Tool for Banks" for the first time to its Corporate Banking loan portfolio (including corporate and project finance loans) as of 2020 year-end. ✔ Developed by the UNEP-FI and the Positive Impact Initiative under the UNEP FI Principles for Responsible Banking (of which TSKB is a founding signatory), the Portfolio Impact Analysis Tool focuses on maximizing the positive impacts and reducing the negative impacts by identifying the positive and negative impact areas resulting from the banking activities. The Bank's Investment Banking and Advisory Services portfolios are not included in the impact analysis study at this stage ✔, and it is aimed to be implemented in the upcoming years.

Within the scope of the Portfolio Impact Analysis Tool, the Bank's cartography was prepared according to the sector codes of the International Standard Industrial Classification (ISIC), and this study pointed out that as of the end of 2020, TSKB's sectoral loan distribution was mainly based on electricity production from renewable energy (34%), other financial service activities (14%), electricity and gas distribution (7%), transportation and storage (6%), real estate activities (4%), accommodation and food service activities (4%), human health and social work activities (3%), manufacture of basic metals (3%), manufacture of food products (3%) and manufacture of textiles (3%). ✔ The methodology that works in the background of the tool highlights sector-based general positive and/or negative impacts for 22 impact areas defined by Impact Radar, developed by the Positive Impact Initiative in 2018. However, it provides only a general assessment since there is no project-based review conducted.

Considering the sectoral breakdown of the bank's loan portfolio, Portfolio Impact Analysis Tool identifies "Climate" as well as "Economic Convergence" and Employment" as the areas where the Bank creates a positive impact, and the area of "Resource Efficiency/Security" where it creates a negative impact. ✔ When the Bank's mission and Turkey's needs assessment presented in Portfolio Impact Analysis Tool are considered "Economic Convergence" and "Resource Efficiency/Security" impact areas are selected as the most important areas to be studied within the scope of reporting. ✔

In most of the impact areas that are negatively associated within the scope of the Portfolio Impact Analysis Tool, the ERET tool already implemented by the Bank and the subsequent measures applied are effective in managing the risks and keeping these negative impacts to a minimum. The high-risk projects evaluated in 2020 consisted of investment projects of hydroelectric power plants, wind farms, ports and the iron and steel industry. Environmental and social assessment work was carried out for these investments and Environmental and Social Action Plans were established for effective risk management. Investments with medium-sensitive risk include investments in wind energy, solar energy, biomass and biogas energy. Environmental and Social Action Plans has been prepared and monitored also for these investments. (2020 Integrated Annual Report Page 81-82)


The "Climate" impact area is evaluated as a medium level need in the country needs assessment within the Portfolio Impact Analysis Tool. However, "Climate" impact area is among TSKB's priority themes, and the Bank has a specifically high positive impact in this area. ✔

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Portfolio Impact Analysis Tool's sector impact map mainly associate "Economic Convergence" impact area with the access to the basic services like transportation, health, education, housing and electricity, which are mainly compatible with the Bank's loan portfolio. Furthermore, this impact area is also very closely related with employment, since creation of employment and supporting the companies for their productive investments contribute also to the reducing the income inequalities in the society. Themes such as supporting companies located in less developed sub-regions and women employment, where the Bank is very active, positively affect this impact area regardless of the sector and were considered in determining the target within this scope. High percentage of the Bank's loan portfolio comprises of investment loans which mainly creates employment, also supports the preservation of the existing work places. This impact area is not only supported by the Bank's direct lending activities within widely distributed sectors, it is also supported by the thematic on-lending to financial sector (are also called as APEX banking or wholesale banking) mainly for supporting long term financing needs of SMEs.

Portfolio Impact Analysis Tool put "Resource Efficiency/Security" impact area as negatively associated with the current loan portfolio  because the methodology background links most of the manufacturing sector and energy sector negatively with this impact area, where the Bank is quite active.

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Since 2013, TSKB has been supporting efforts to increase resource efficiency in our country's private sector by offering medium- and long-term funding opportunities. To date, the Bank has provided approximately USD 1 billion in financing for a total of 149 projects in the fields of energy and resource efficiency, production processes and waste management to companies in the iron and steel, cement, textile, aluminum, automotive supply and chemical industry.

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In this context, The Bank has opted to choose "Resource Efficiency/Security" impact area in its reporting to highlight its active financing on resource efficiency (including energy efficiency) financing in wide spread sectors (industry, energy, tourism, etc.). Since such financing also supports waste minimization, recycling projects and circular economy in general, it also supports another impact area of "Waste". Most of the related indicators are already followed for several years and they will be presented and disclosed further via RBP reporting.

Most of the related indicators of Resource Efficiency have already been monitored and disclosed via sustainability reports periodically for several years. TSKB foresees that resource efficiency will become more important in an environment where climate change becomes increasingly important and will continue to support the financing of clean/green production investments. Resource efficiency supports the transition of the industry to a low carbon economy along with the economic growth.

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# UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

## 2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/ climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

As explained in the Impact Analysis section, via the Portfolio Impact Analysis Tool, the most important impact areas where the Bank can increase its positive impacts and reduce its negative impacts are identified as “Climate”, “Economic Transformation”, “Employment” and “Resource Efficiency and Security”. ✓ When the Bank’s mission and Turkey’s needs assessment presented in Portfolio Impact Analysis Tool are considered, “Economic Convergence” and “Resource Efficiency/Security” impact areas are selected as the most important areas to be studied within the scope of reporting.

In this context, SMART targets and commitments of the Bank within the scope of UNEP FI Principles for Responsible Banking are determined as follows in these two impact areas; ✓

- TSKB targets to provide at least USD 8 billion of SDG-linked financing by 2030.

As an interim target, it is aimed to provide at least USD 3.5 billion of SDG-linked financing by the end of 2025.

**Related impact areas: Economic Convergence and Resource Efficiency/Security**

- TSKB targets to keep the ratio of SDG-linked loans in the total loan portfolio at least 90% between 2021 and 2025.

**Related impact areas: Economic Convergence and Resource Efficiency/Security**

- Under SDG 8-Decent Work and Economic Growth: Providing USD 150 million of financing within the scope of SDG 8 in 2021 in order to contribute to boosting the resilience of the companies adversely affected by the Covid-19 pandemic, to address their liquidity needs and to support the sustainability of their activities.

**Related impact areas: Economic Convergence**

- Under SDG 5-Gender Equality and SDG 8-Decent Work and Economic Growth: Providing USD 200 million of financing to support women employment and support the economy in the developing regions.

**Related impact areas: Economic Convergence-**

These goals will be further supported by other targets and commitments set by TSKB for the capital items for the upcoming period and included in the 2020 Integrated Annual Report. Among them, the following two commitments stand out:

- TSKB has committed not to finance any newly constructed coal thermal power plant investments in the future.

**Related impact areas: Resource Efficiency/Security**

- TSKB aims to provide direct and indirect support to companies in their transition towards the EU Green Deal in the coming period.

**Related impact areas: Economic Convergence and Resource Efficiency/Security**

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### 2.3 Plans for Target

**Implementation and Monitoring** TSKB sets targets within its priority impact areas annually and monitors, manages and reports its performance in these areas via the key performance indicators determined.

Show that your bank has defined actions and milestones to meet the set targets.

SMART targets determined within the scope of UNEP FI Principles for Responsible Banking will be monitored by the relevant working groups, especially by the working group for “Cooperation with International Initiatives on Sustainability” under Bank’s Sustainability Management System. ✓

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

Regarding the determined targets, 5 key performance indicators for the impact area of “Economic Convergence” and 4 key performance indicators in the impact area of “Resource Efficiency/Security” were identified within the scope of the Portfolio Impact Analysis Tool. While determining these indicators, TSKB’s existing performance indicators were used and additional performance indicators were identified according to the new targets determined. These indicators will be monitored in the upcoming period and will be included in the 2021 year-end reporting.

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### 2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Regardless of the UNEP FI Principles for Responsible Banking Reporting, TSKB annually discloses the Bank’s target realizations and future targets in its Integrated Annual Report. TSKB’s 2020 target realizations and 2021 targets within the scope of financial, human, natural, intellectual and social capital elements are provided in the 2020 Integrated Annual Report.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

TSKB Integrated 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.

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Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

The Bank will monitor the progress in the implementation of the targets set within the scope of the UNEP FI Principles for Responsible Banking in the upcoming period and will report on the progress made annually.



# UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

## Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

TSKB brings together the qualified and sustainable themed global funds that it provides from the supranational financial institutions, development finance institutions and international financial institutions with sustainable investments in Turkish business ecosystem through its corporate loans and project financing activities. In addition, the Bank extends further its area of influence by offering loans to SMEs and exporter companies by wholesale banking (APEX banking).

Given its area of influence, TSKB considers relationships with its customers essential to its success and ability to create long-term value for Turkey's sustainable and inclusive development and works with its customers in adoption of sustainable practices through innovative products, initiatives and knowledge sharing. In addition, the Bank works to maintain high standards of behavior in order to be the business partner that customers consult and prefer as the first choice and continues to develop the Bank's governance culture and accountability mechanisms to ensure the satisfaction of its customers.

In this context, TSKB takes into consideration stakeholder needs and expectations in the process of determining the Bank's focus areas and corporate strategy in long-term value creation for inclusive and sustainable development. TSKB, which contacts its all stakeholder groups including customers within the scope of its business cycle, carries out large-scale stakeholder analysis on a regular basis to align its strategy and priorities in accordance with those of its stakeholders and to provide transparent information in its reportings regarding stakeholder needs and expectations.

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and art projects on themes such as climate change, low-carbon economy, women's participation in production and equal opportunities. At the same time, the Bank reinforces the total value it generates through its long-term projects realized within the scope of Social Responsibility that has become an integrated element of its unique business model.

With these projects, the Bank provides a concrete contribution to the reproduction of similar good examples in the business world, to touch more people's lives and to the development of a productive ecosystem which protects the environment.

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TSKB offers its customers suitable and diverse financing products through its high-quality investment banking and advisory services and helps its customers in the transition to more sustainable practices and business models. In line with its sustainable and responsible banking approach, the Bank works to develop innovative products, initiatives and information sharing channels for economic, social and environmental development of its customers.

The products used in the field of sustainable finance which has been affected negatively by the Covid-19 pandemic and climate change have not been limited to bonds, and on the contrary, 2020 has been a year in which alternative sustainable financing products such as green loans, ESG (Environment, Social, Governance) linked loans and SDG (Sustainable Development Goals) loans have been used. Distinguishing itself within the finance sector by its unique banking model which provides solutions to tackle the threat of climate change and support the transition to a low-carbon economy as well as which extends sustainability-themed loans, TSKB will continue to increase its efforts by developing new products, both financing and non-financing, for combating climate change and adapting to climate change.

Besides the investment loans, in 2020, the Bank has also focused on the working capital and liquidity needs of the companies adversely affected by the Covid-19 in order to mitigate the effects of the pandemic in line with its sustainable development mission. Under the Covid-19 Credit Line that TSKB obtained from the Asian Investment Infrastructure Bank (AIIB) in July 2020, TSKB will continue further to support the resilience of the companies and the sustainability of their activities. Becoming a humanitarian and socioeconomic crisis, the Covid-19 pandemic has significantly shaped the production, the way of doing business and the economy. In this regard, TSKB will work with its customers operating in the sectors that are highly affected by the pandemic and continue to support its customers by developing its financing and advisory services that will help them to transform their business models.

Moreover, the European Green Deal which sets out ambitious measures and policies in line with the goals of Paris Climate Agreement, is expected to have significant effects on Turkey which has strong trade relations with the EU. In this context, TSKB has announced the establishment of the Green Swan Platform in October 2020 in order to act jointly against the climate change which is the biggest obstacle to sustainable and inclusive development and to raise awareness of climate change. TSKB aims to bring together representatives of the public and private sectors with NGOs, international organizations, academics, students and members of the media under the umbrella of this platform.

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3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

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Annual Report  
Page 53, 90-91



# UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reflecting the integrated perspective on its strategy and all business processes, it is important for TSKB to identify and determine the material issues in line with the expectations of its stakeholders. Contacting all stakeholder groups within the scope of its operation cycle, TSKB regularly conducts extensive stakeholder analyses to align its strategic and material issues with the views of its stakeholders and to share information on stakeholder priorities in its reporting process. The results of the stakeholder analysis study provide an important basis for the Bank's integrated reporting activities.

Engagement and sustainable dialogue with stakeholders play a critical role in shaping the Bank's approach to sustainability and these channels provide the Bank to assess the feedbacks that serve as valuable sources of information in the following areas: setting strategic priorities, establishing policies and procedures, reviewing existing collaborations and setting up new collaborations, and development of social responsibility projects.

The identified priorities and materiality matrix of the TSKB management and all stakeholders as a result of the stakeholder analysis study are presented between pages 28-34 of the 2020 Integrated Annual Report. The key material issues are found to be fully in line with TSKB's mission, core objectives and strategies. The materiality analysis underlines that TSKB takes into account the perspectives of sustainability and responsible banking to contemplate with the qualified development of the country, growing in harmony with all stakeholders.

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

At the same time, the Bank reinforces the total value it generates through its long-term projects realized within scope of Social Responsibility that has become an integrated element of its unique business model. Experience sharing and reporting is a valuable channel through which TSKB provides the opportunity to inform and interact with broad audiences regarding the economic, environmental and social impact it has generated through its banking activities. A summary of TSKB's work in sustainability projects as well as experience sharing and reporting are illustrated between pages 106 and 111 of the 2020 Integrated Annual Report.

TSKB is also a member of national and associations and international initiatives that carry out activities in areas related to its strategy, activities and objectives. The Bank shares its experience within the scope of these memberships, where it undertakes active duties in working groups and cooperates closely with other member institutions. The memberships and working groups that TSKB takes undertakes are illustrated on page 100 of the 2020 Integrated Annual Report. In addition, TSKB is a signatory of many declarations and principles within the scope of its sustainability commitment (Integrated Report page 79). TSKB's participation in these initiatives and declarations contributes positively to the Bank's brand value and internal capacity building as well as presents an opportunity to establish communication and relations with other institutions.

Since TSKB's funding structure is primarily based on the cooperation with the international financial institutions, supranational financial institutions and development finance institutions, the Bank's sustainable and responsible banking performance is of utmost importance in terms of continuity of access to these resources. In this context, the Bank will continue to cooperate with these initiatives and work towards the goals and needs of Turkey. Moreover, TSKB aims to implement pioneering practices in order to increase awareness in the sector by following global trends and good practices among these initiatives.

UNEP FI Principles for Responsible Banking of which TSKB became one of the founding signatories in 2019 will likewise enhance the Bank's capacity and competencies in terms of sustainable and responsible banking. For the purpose of implementing these Principles, TSKB will continue efforts to share knowledge and experiences, especially in the field of impact analysis, and follow good practices. In this line, TSKB is in dialogue and interact directly with other signatory banks from Turkey and a joint press release with these banks has been published in 2020 in order to share their progress and experiences as they have taken the first steps in implementing the Principles.

2020 Integrated Annual Report Page 28-34, 79, 100, 106-111





## Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

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

In 2012, TSKB expanded the scope of its Environmental Policy, which was published in 2006, and revised it a Sustainability Policy. As of the end of 2020, the TSKB Sustainability Management System is managed under the Sustainability Policy dated 26 February 2015.

The Bank supports the Sustainability Policy with complementary policies under the environmental, social and governance themes. In the annexe of the TSKB Environmental and Social Impact Policy, one of the complementary policies, a List of Activities Not to be Financed was published, setting out the activities which TSKB would not finance on behalf of responsible banking.

All sustainability work across the organizational structure is managed by the Sustainability Committee, which was established in 2014 and is comprised of three Board Members, the General Manager and two Executive Vice Presidents. In 2020, with the participation of the General Manager of TSKB as a committee member, the Sustainability Committee evolved into a structure that would manage the Bank's targets and strategies under a macro perspective. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

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

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

In 2020, sustainability activities at TSKB were conducted by eight different Working Groups affiliated to the Sustainability Subcommittee, which are the following: Gender Equality Working Group, Climate Risks Working Group, ISO Management Standards Working Group, Stakeholders Dialogue Working Group, Reporting Working Group, Social Impact Working Group, Sustainability Index Working Group and Cooperation with International Initiatives on Sustainability Working Group.

Among these working groups, the Cooperation with International Initiatives Working Group, which was established at the end of 2019 and started its activities in 2020, aims to determine the resource requirement for the studies to be carried out in international and supranational financial institutions and organizations that the Bank cooperates with such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc. and to organize the work.

The implementation of the UNEP FI Principles for Responsible Banking of which TSKB has become a founding signatory in 2019 is undertaken by this working group which works in coordination and synergy with other working groups, whereas the annual reporting will be carried out with the support of the Reporting Working Group and the follow-up of the targets determined as a result of the impact analysis within the scope of the Principles will be monitored under the responsibility of the related working groups and coordination inside and outside the Bank. The implementation of the UNEP FI Principles for Responsible Banking is well supported by the Bank's decisions, policies, goals, collaborations and memberships within the scope of its Sustainable Management System.

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## UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

TSKB's Sustainability Management System is designed to promote a culture of responsible banking among all its employees through various policies and initiatives. TSKB considers its human resources as the building block of its successful and sustainable performance. For this reason, TSKB places utmost importance on the development of its employees through various training programs as well as measures regularly the level of satisfaction and engagement of its employees and takes action in line with the improvement goals of the work environment and the benefits they provide. Employee development is one of the top priorities for TSKB's management.

All new TSKB employees are trained in the Sustainability Management System and the concept of sustainability concept is institutionalized and interiorized within the Bank. Awareness studies are also carried out with the aim of reducing waste per person. TSKB aims to raise further the sustainability awareness within the Bank in order to enhance the sustainability governance in the entire bank.

The fact that the Sustainability Subcommittee Working Groups under the SMS are composed of representatives from different departments contributes significantly to the development of responsible and sustainable banking culture within the Bank. As of the end of 2020, 15% of TSKB's employees were members of these working groups, ✓ whereas the the Sustainability Committee targets are distributed to every employee involved in this organization and are taken into account within the scope of employee performance evaluation. One of the common goals of the working groups is to organize internal training programs and information meetings in order to ensure the capacity development of all TSKB employees on sustainability.

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

On the other hand, developing tailored training programs for TSKB employees, strengthening the Bank's processes and information systems, establishing a safe working environment and providing equal opportunities for the development of employees are the initiatives put forward by the Bank for human resource development.

In this context, the Bank carries out various training and development activities in order to improve both technical and professional knowledge of its employees as well as their personal skills and competencies. The average training time per employee was 60 hours in 2020. ✓

TSKB offers its employees a range of different programs each level in order to improve their managerial skills and get them ready for the future. In 2020, a training and development journey was launched for all title groups under the motto of "Be a Partner in the Future". In this context, with the motto "Become a Partner for the Future", department heads were included in the Leadership Development Program, senior managers and managers were included in the Managerial Development Program, and the rest of the banking staff were included in the Competency Development Program. In addition, the Critical Position Backup program was implemented to bring a systematic practice of identifying backups for positions to prepare TSKB for the future. In this context, one-to-one trainings have been carried out in line with the development needs of the employees who would be the substitutes.

In order to carry out practices on an equitable basis without adopting any different approaches in human resources processes, necessary reporting has been also conducted and action plans have been taken in 2020 within the scope of full compliance and responsibilities with the Equal Opportunities Model (FEM) certificate issued by the Women Entrepreneurs Association of Turkey (KAGIDER) which awards companies dedicated gender equality in recruitment, training, career planning and communication. Gender pay equity objectives are incorporated in the Bank's remuneration policy where the gender pay balance is constantly observed. Moreover, in 2020, TSKB has published its Gender Equality Policy in order to set out the principles and responsibilities with regard to the Bank's internal and external practices and strategies for gender equality.

TSKB will continue to invest in human resources and its development with determination and with an approach that takes into account the requirements of its corporate strategy. Paying importance to gender equality throughout the Bank and acting in accordance with the principle of gender equality in human resources practices are among the 2021 targets.

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Page 66-75



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In light of the information provided above, the Bank's Sustainability Management System supports the implementation of the Principles.

All sustainability work across the organizational structure is managed by the Sustainability Committee, which was established in 2014 and is comprised of three Board Members, the General Manager and two Executive Vice Presidents. In 2020, with the participation of the General Manager of TSKB as a Committee member, the Sustainability Committee evolved into a structure that would manage the Bank's objectives and strategies from a macro perspective. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.

### 5.3 Governance Structure for Implementation of the Principles

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

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

In 2020, sustainability activities at TSKB were conducted by eight different Working Groups affiliated to the Sustainability Subcommittee. Among these working groups, the Cooperation with International Initiatives on Sustainability Working Group which was established in 2019 and started its operations in 2020, aims to determine the resource requirement for the studies to be carried out in international and supranational financial institutions and organizations that the Bank cooperates with such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc. and to organize the work.

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The implementation of the UNEP FI Principles for Responsible Banking of which TSKB has become a founding signatory in 2019 is undertaken by this working group which works in coordination and synergy with other working groups, whereas the annual reporting will be carried out with the support of the Reporting Working Group and the follow-up of the targets determined as a result of the impact analysis within the scope of the Principles will be monitored under the responsibility of the related working groups and coordination inside and outside the Bank. The implementation of the UNEP FI Principles for Responsible Banking is well supported by the Bank's decisions, policies, goals, collaborations and memberships within the scope of its Sustainable Management System.

In the event of targets not being achieved or unexpected negative impacts being detected, the Cooperation with International Initiatives on Sustainability Working Group will inform along with the relevant working groups the members of the Sustainability Committee and Sustainability Subcommittee in light of the findings from the in-depth examination and assessment and will carry out studies in order to define and set out remedial action plans. The Bank will also share further developments in the subject areas as well as report on the progress of implementation of the previously adopted action plans in the next reporting period.

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# UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

## Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/ is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

A comprehensive summary of TSKB's progress on implementing the Principles for Responsible Banking is given in the Annex of the 2020 Integrated Annual Report (2020 Integrated Annual Report page 533-546)

TSKB's oriented contribution to the inclusive and sustainable development is reviewed with its economic, social and environmental dimensions and analyzed in different parts of the report. TSKB reviews, analyses and reports the update outputs of its operations, its plans and targets to its stakeholders with an integrated point of view.

The Integrated Annual Report, where the performance disclosures are presented mainly in the context of "GRI Standards" indicators, is also a reference for the Principles for Responsible Banking Reporting. The Principles for Responsible Banking Initiative of the United Nations Environment Program Finance Initiative (UNEP FI) which is one of the most prominent movements in disclosing non-financial information in financial services has published a comprehensive guideline document on non-financial reporting in 2020. Through this study entitled Principles for Responsible Banking Reporting, the signatories of the Principles are provided with guidance on non-financial reporting and the principles of the initiative. Within this report, the compliance with GRI Standards is also regarded.

TSKB is responsible to review its progress periodically on implementing the Principles and be transparent and accountable for its positive and negative impacts. Realizing its first UNEP FI Principles for Responsible Banking reporting in 2020, TSKB commits to report on annual basis its UNEP FI PRB Reporting.

TSKB has carried out sustainability and integrated reporting for 10 years. TSKB has inspired numerous companies, especially in the banking sector, to integrate sustainability in business cycles and to pursue transparent stakeholder communication. TSKB, which started to issue sustainability reports in 2009, has been publishing Carbon Disclosure Project (CDP) Climate Change Reports since 2013 and Integrated Annual Reports since 2018. The reporting journey of TSKB in parallel with its sustainable banking activities is given on page 85 of the 2020 Integrated Annual Report.

TSKB voluntarily discloses its greenhouse gas emissions and strategies to combat climate change within the scope of the CDP. TSKB, which has received the leadership award on climate in recent years, maintained its success in 2020, when the global Industry average was C. With its B rating, TSKB confirmed that the Bank was on its way towards realizing its ambitious targets in the field of sustainable development.

The Bank closely follows up developments, good practices and reporting trends related to international standards and carries out improvements to its reporting by taking into account stakeholder feedback.

Climate change poses financial risks to the banking sector but also presents a variety of opportunities. From this point on, a Climate Risks Working Group was established within the sustainability structure in 2020. The Group is working to measure, manage and integrate the Bank's financial risks from climate change into the bank risk model. In 2020, the Climate Risks Working Group represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI Task Force for Climate-Related Financial Disclosures (TCFD), in which TSKB was the only participant from Turkey, and carried out work in line with the TCFD recommendations. The Working Group has developed capacity and carried out various activities for the determination, measurement and reporting of portfolio risks within the framework of both physical and transition risks. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

2020 Integrated Annual Report Page 1, 76-95, 533-546

2020 CDP Report

# GRI INDEX





GRI DISCLOSURE: 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 INDEX - CORE

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 101: FOUNDATION 2016</b>		
<b>GRI 102: GENERAL DISCLOSURES 2016</b>		
<b>ORGANIZATIONAL PROFILE</b>		
	102-1	Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)
	102-2	Page: 10
	102-3	<b>Head Office</b> Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul
	102-4	Turkey
	102-5	Page: 4-5 <a href="https://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association">https://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association</a>
	102-6	TSKB's business area is Turkey.
	102-7	Page: 4-5, 11
	102-8	Page: 71, 74-75
	102-9	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	102-10	There were no significant changes during the reporting period.
	102-11	Page: 131-133
	102-12	Page: 78-81
	102-13	Page: 78-81
	<b>STRATEGY</b>	
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-14	Page: 18-19 / Chairman's Message
		Page: 20-23 / CEO's Assessment
	102-15	Page: 84, 88-89
	<b>ETHICS AND INTEGRITY</b>	
	102-16	<a href="https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	102-17	<a href="https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	<b>GOVERNANCE</b>	
	102-18	Page: 116-121
	102-19	Page: 76-77
	102-20	Page: 76-77
	102-21	Page: 76-77
	102-22	Page: 116-119 <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.
	102-25	Page: 124-127 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf</a>



<b>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>	
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-26	Page: 124-127	
	102-27	Page: 124-127	
	102-28	Page: 124-127	
	102-29	Page: 124-127	
	102-30	Page: 124-127	
	102-31	Page: 124-127	
	102-32	Page: 76-77	
	102-33	Page: 124-127	
	102-34	Page: 124-127	
	102-35	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>	
	102-36	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>	
	102-37	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>	
	102-38	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>	
	102-39	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>	
	<b>STAKEHOLDER ENGAGEMENT</b>		
	102-40	Page: 28-30	
	102-41	There is no collective bargaining application in TSKB.	
	102-42	Page: 28-34	
	102-43	Page: 28-34	
	102-44	Page: 28-34	
	<b>REPORTING</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: 30-34	
	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	01.01.2020-31.12.2020	
	102-51	2019	
	102-52	Annual	
	102-53	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: 547	
	102-56	Page: 142-147	



<b>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>
<b>GRI 200: ECONOMIC STANDARD SERIES</b>		
<b>EKONOMIC PERFORMANCE</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
<b>GRI 201: EKONOMIC PERFORMANCE 2016</b>	201-1	Page: 8-9, 11
	201-2	Page: 84, 86-89
	201-3	Page: 201-202
	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: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
<b>GRI 202: MARKET PRESENCE 2016</b>	202-1	In TSKB, the standard entry level wage of all employees is above the local minimum wage.
	202-2	All members of TSKB senior management are Turkish Republic citizens.
<b>INDIRECT ECONOMIC IMPACTS</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	203-1	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	203-2	Page: 8-9
<b>PROCUREMENT PRACTICES</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	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>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>
<b>ANTI-CORRUPTION</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
<b>GRI 205: ANTI-CORRUPTION 2016</b>	205-1	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a> Page: 135-137
	205-3	There are no confirmed incidents of corruption during the reporting period.
<b>ANTI-COMPETITIVE BEHAVIOR</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
	103-3	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://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: 28-31
	103-2	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://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: 86-87, 93
	302-2	Page: 86-87, 93
	302-3	Page: 86-87, 93
	302-4	Page: 86-87, 93
<b>WATER</b>		
<b>GRI 103: MANAGEMENT APPROACH 2018</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
		<a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	<b>GRI 303: WATER 2018</b>	303-1
303-2		There are no water sources significantly affected by withdrawal of water.
303-3		Page: 86-87, 93
<b>EMISSIONS</b>		



GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 305: EMISSIONS 2016</b>	305-1	86-87, 93
	305-2	86-87, 93
	305-3	86-87, 93
	305-4	86-87, 93
	305-5	86-87, 93
<b>EFFLUENTS AND WASTE</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>	306-1	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-2	86-87, 93
	306-3	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-4	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-5	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
<b>ENVIRONMENTAL COMPLIANCE</b>		



<b>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment <a href="https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	307-1	There are no significant fines or sanctions in the reporting period. Page: 130
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	103-2	TSKB works closely with its suppliers in order to manage the environmental and social impact of its supply chain operations. Suppliers are supported in their efforts to improve their own environmental and social sustainability performance. Such matters will be dealt with as called for in TSKB's Sustainable Procurements Management Policy.
	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 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</b>	308-1	Although the suppliers are expected to pay attention to their environmental impact, there are no suppliers that were screened using environmental criteria.
<b>GRI 400: SOCIAL STANDARD SERIES</b>		
<b>EMPLOYMENT</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
<b>GRI 401: EMPLOYMENT 2016</b>	401-1	Total number of new employees hired in 2020 is 46. Page: 69
	401-2	All TSKB employees are working on full-time basis.
<b>LABOR/MANAGEMENT RELATIONS</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
<b>GRI 402: LABOR/MANAGEMENT RELATIONS 2016</b>	402-1	TSKB is fully compliant with current laws and regulations about this subject in Turkey.



GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
<b>OCCUPATIONAL HEALTH AND SAFETY</b>		
<b>GRI 103: MANAGEMENT APPROACH 2018</b>	103-1	Page: 28-31
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018</b>	403-2	There are no injury, occupational diseases, lost days, and absenteeism, and workrelated fatalities during the reporting period.
	403-3	As per the nature of its activities, TSKB's employees are not subject to high risk of injury or occupational diseases.
<b>TRAINING AND EDUCATION</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1	Page: 69-71
	404-2	Page: 69-71
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	<a href="http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1	Page: 69-71
	405-2	There is no gender-based wage discrimination in TSKB.
<b>NON-DISCRIMINATION</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://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/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 406: NON-DISCRIMINATION 2016</b>	406-1	There are no incidents of discrimination during the reporting period.



<b>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	407-1	TSKB respects the right of collective bargaining. During the reporting period, TSKB had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights.
<b>CHILD LABOR</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 408: CHILD LABOR 2016</b>	408-1	TSKB does not employ child labor in any way. TSKB expects all of its suppliers comply with age restrictions mentioned on related laws and regulations.
<b>FORCED OR COMPULSORY LABOR</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 409: FORCED OR COMPULSORY LABOR 2016</b>	409-1	There are no activities and operations at TSKB with significant risk for incidents of forced or compulsory labor. TSKB expects all of its suppliers do not employ forced or compulsory labor in any case.
<b>HUMAN RIGHTS ASSESSMENT</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 412: HUMAN RIGHTS ASSESSMENT 2016</b>	412-1	None.
<b>CUSTOMER PRIVACY</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
	103-3	<a href="https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	418-1	There are no complaints concerning breaches of customer privacy and losses of customer data.



<b>GRI STANDARD</b>	<b>NUMBER</b>	<b>PAGE NUMBER/DIRECT REFERENCE</b>
<b>FINANCIAL SECTOR SUPPLEMENT</b>		
<b>PRODUCT PORTFOLIO</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS6	Page: 46-49, 55-56, 64-65
	FS7	Page: 46-49, 55-56, 64-65
	FS8	Page: 46-49, 55-56, 64-65
<b>ACTIVE OWNERSHIP</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS10	Page: 46-49, 55-56, 64-65
	FS11	Page: 46-49, 55-56, 64-65



# STATEMENT OF RESPONSIBILITY

2 March 2021

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.

## STATEMENT OF RESPONSIBILITY REGARDING 2020 INTEGRATED ANNUAL REPORT

Prepared in accordance with the Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board; TSKB Annual Integrated Report for the period 01.01.2020 - 31.12.2020 comprising financial and non-financial information, key performance indicators and targets; Corporate Governance Compliance Report and Corporate Governance Information Form have been reviewed by us.

In this context, we confirm and state that;

- Within the framework of our duties and responsibilities in the Bank and the information we have, the Report does not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- As of the reporting period, financial statements and other financial information in the Report honestly reflect the progress and the performance of the business and the financial position of the Bank together with the significant risks and the uncertainties faced,
- Non-financial information, targets and key performance indicators do not include any untrue statement,
- Corporate Governance Compliance Report and Corporate Governance Information Form do not include any deficiency or any untrue statement.

Sincerely,

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.

Chairperson of Audit  
Committee

Mahmut Magemizoğlu

Audit Committee Member

Gamze Yalçın

Executive Vice President  
responsible for Financial  
Reporting

Aziz Ferit Eraslan

Executive Vice President  
responsible for Investor  
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Head of Financial Institutions  
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