# Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

## Independent Auditor's Audit Report, Consolidated Financial Statements And Notes For The Year Ended December 31, 2019

**(Convenience translation of publicly announced consolidated financial statements and independent auditor's review report originally issued in Turkish, See Note I. of Section Three)**

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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No:27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

**Convenience Translation of the Independent Auditors' Report Originally Issued in Turkish (See Note I in Section Three)**

## INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.**
**Audit of Consolidated Financial Statements**

### Qualified Opinion

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş (the Bank) and its subsidiaries as at 31 December 2019 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

### Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2019 include a free provision at an amount of TL 220.000 thousands, was provided in prior years respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2019 is understated by TL 220.000 thousands.

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

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| Key Audit Matter | How the matter is addressed in our audit |
|---|---|
| ***Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9*** | |
| As presented in Section 3 disclosure IX the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the impairment of financial assets as a key audit matter since:<br><br>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements<br>- There are complex and comprehensive requirements of TFRS 9<br>- 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.<br>- 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<br>- Policies implemented by the Group management include compliance risk to the regulations and other practices.<br>- New or re-structured processes of TFRS 9 are advanced and complex.<br>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.<br>- Disclosure requirements of TFRS 9 are comprehensive and complex | Our audit procedures included among others include:<br>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices.<br>- 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.<br>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices<br>- 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<br>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements<br>- 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.<br>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation<br>- Testing the mathematical accuracy of expected credit loss calculation on sample basis<br>- Evaluating the judgments and estimates used for the individually assessed financial assets<br>- Evaluating the accuracy and the necessity of post-model adjustments<br>- Auditing of TFRS 9 disclosures |

| *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.<br><br>The Parent Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.<br><br>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.<br><br>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 plans during the period, that could lead to adjust the valuation of employee benefits.<br><br>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. |

| *Derivative Financial Instruments* | |
|---|---|
| Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities held-for-trading disclosures.<br><br>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. | 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.<br><br>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"). |

**Responsibilities of Management and Directors for the Consolidated Financial Statements**

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

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

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

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

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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## Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2019 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

3 February 2020
İstanbul, Türkiye

TSKB

**THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2019**


Address: Meclisi Mebusan Cad. No:81 Fındıklı /İstanbul
Telephone: (212) 334 51 97
Fax : (212) 334 52 34
Web-site: www.tskb.com.tr
E-mail: ir@tskb.com.tr


The consolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation 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 AUDITOR'S REPORT

The subsidiaries, associates and joint ventures, whose financial statements are consolidated within the framework of the reporting package, are as follows:

| Subsidiaries | Associates |
|---|---|
| Yatırım Finansman Menkul Değerler A.Ş. | İş Finansal Kiralama A.Ş. |
| TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. | İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. |
| Yatırım Varlık Kiralama A.Ş. | İş Faktoring A.Ş. |

The accompanying consolidated financial statements and the explanatory footnotes and disclosures in this report, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records, and have been independently audited and presented as attached.

3 February 2020

| | | | |
|---|---|---|---|
| **H. Ersin ÖZİNCE** | **Suat İNCE** | **Ece BÖRÜ** | **Tolga SERT** |
| **Chairman of Board of Directors** | **Member of Board of Directors and General Manager** | **Executive Vice President In Charge of Financial Reporting** | **Head of Financial Control Department** |

| | |
|---|---|
| **Gamze YALÇIN** | **Mehmet ŞENCAN** |
| **Member of Audit Committee** | **Member of Audit Committee** |

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname / Title** : Tolga Sert / Head of Financial Control Department
**Telephone Number** : (0212) 334 51 97

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(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:

| **Current Period**<br>**Name Surname/Commercial Title** | **Share Capital** | **Shareholding Rate (%)** | **Paid in Capital** | **Unpaid Capital** |
|---|---|---|---|---|
| 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 | - |
| **Total** | **2.800.000** | **100,00** | **2.800.000** | **-** |

| **Prior Period**<br>**Name Surname/Commercial Title** | **Share Capital** | **Shareholding Rate (%)** | **Paid in Capital** | **Unpaid Capital** |
|---|---|---|---|---|
| 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 | - |
| **Total** | **2.800.000** | **100,00** | **2.800.000** | **-** |

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,92% of the shares belongs to İş Bank Group and 38,62% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

(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 (1) |
|---|---|
| H. Ersin Özince | Chairman of the Board of Directors |
| Mehmet Şencan | Vice Chairman of the Board of Directors and Chairman of the Audit Committee |
| Suat İnce | Member of the Board of Directors and General Manager |
| Yavuz Canevi | Member of the Board of Directors |
| Mithat Rende | Member of the Board of Directors |
| Zeynep Hansu Uçar | Member of the Board of Directors |
| Ahmet Hakan Ünal | Member of the Board of Directors |
| Abdi Serdar Üstünsalih (3) | Member of the Board of Directors |
| Gamze Yalçın (2) | Member of the Board of Directors and Member of Audit Committee |
| Hüseyin Yalçın | Member of the Board of Directors |
| Can Yücel | Member of the Board of Directors |

**General Manager and Vice Presidents**

| Name Surname | Title / Area of Responsibility (4) |
|---|---|
| Suat İnce | General Manager |
| Meral Murathan | Executive Vice President – Financial Institutions and Investor Relations, Development Finance Institutions |
| Aslı Zerrin Hancı | Executive Vice President – Treasury, Treasury & Capital Markets Operations, Loan Operations |
| Hasan Hepkaya | Executive Vice President – Corporate Banking Marketing, Corporate Banking Selling, Project Finance, Corporate Communication |
| Ece Börü | Executive Vice President – Loan Allocation, Loan Monitoring, Loan Analysis, Financial Control, Budget Planning |
| Hakan Aygen | Executive Vice President – Corporate Finance, Economic Research, Engineering and Technical Consultancy, Financial Consultancy, Business Development and Consultancy Management Office Departments |
| H. Yetkin Kesler | Executive Vice President – Pension and Assistance Funds, Human Resources, Enterprise Architecture and Process Management, Corporate Compliance |
| B. Gökhan Çanakpınar | Executive Vice President – Support Services, System & Network Support, Application Development |
| A. Ferit Eraslan | Executive Vice President – Head of Board of Internal Auditors, Internal Control, Risk Management |

*(1) The shares of above directors in The Bank are symbolic.*
*(2) The Member of the Board of Directors Mrs. Ebru Özşuca resigned from her duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 8 April 2019, it is decided that Mrs. Gamze Yalçın was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.*
*(3) The Member of the Board of Directors Mr. Mehmet Emin Özcan resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 June 2019, it is decided that Mr. Abdi Serdar Üstünsalih was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.*
*(4) Prepared according to the organization chart of the Bank dated 12 December 2019.*

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2019 in the General Assembly Meeting held on 28 March 2019.

## SECTION ONE (Continued)

### GENERAL INFORMATION (Continued)

### IV. Information about the persons and institutions that have qualified shares in the Parent Bank

Explanation about the people and institutions that have qualified shares control the Parent Bank's capital directly or indirectly are described in General Information Section II.

### V. Summary on the Parent Bank's functions and areas of activity

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Parent Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Parent Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Parent Bank also continues to offer solutions with respect to the newest needs and client demands.

## 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

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 88,67%. The company's headquarters is located at Istanbul/Turkey.

**Yatırım Varlık Kiralama A.Ş. :**

Yatırım Varlık Kiralama A.Ş. was established on 20 September 2019. Core business of the Company is to issue a lease certificate exclusively in accordance with the provisions of the Capital Market Law and the relevant Communiqué. The share of Yatırım Finansman Menkul Değerler A.Ş. is 100%.

**İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The Company's headquarters is located at Istanbul/Turkey.

## 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)

**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 2019

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

| | | | Audited Current Period 31 December 2019 | | | Audited Prior Period 31 December 2018 (*) | | |
|---|---|---|---|---|---|---|---|---|
| | **ASSETS** | **Section 5 Note I** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | **FINANCIAL ASSETS (NET)** | | **3.417.606** | **3.597.087** | **7.014.693** | **3.595.512** | **3.227.870** | **6.823.382** |
| **1.1** | **Cash and Cash Equivalents** | | **539.386** | **1.047.785** | **1.587.171** | **616.183** | **1.507.389** | **2.123.572** |
| 1.1.1 | Cash and Balances with Central Bank | (1) | 513 | 803.528 | 804.041 | 6.353 | 736.875 | 743.228 |
| 1.1.2 | Banks | (3) | 12.973 | 244.719 | 257.692 | 36.469 | 770.762 | 807.231 |
| 1.1.3 | Money Market Placements | | 526.286 | - | 526.286 | 573.613 | - | 573.613 |
| 1.1.4 | Expected Credit Losses (-) | | 386 | 462 | 848 | 252 | 248 | 500 |
| **1.2** | **Financial Assets at Fair Value Through Profit or Loss** | **(2)** | **15.821** | **263.097** | **278.918** | **9.859** | **290.660** | **300.519** |
| 1.2.1 | Government Debt Securities | | - | - | - | 8 | - | 8 |
| 1.2.2 | Equity Instruments | | 1 | - | 1 | 1 | - | 1 |
| 1.2.3 | Other Financial Assets | | 15.820 | 263.097 | 278.917 | 9.850 | 290.660 | 300.510 |
| **1.3** | **Financial Assets at Fair Value Through Other Comprehensive Income** | **(4)** | **2.209.134** | **1.977.139** | **4.186.273** | **2.212.256** | **1.207.814** | **3.420.070** |
| 1.3.1 | Government Debt Securities | | 2.001.291 | 1.922.143 | 3.923.434 | 2.008.419 | 1.165.034 | 3.173.453 |
| 1.3.2 | Equity Instruments | | 62.763 | 53.806 | 116.569 | 52.251 | 41.778 | 94.029 |
| 1.3.3 | Other Financial Assets | | 145.080 | 1.190 | 146.270 | 151.586 | 1.002 | 152.588 |
| **1.4** | **Derivative Financial Assets** | **(2)** | **653.265** | **309.066** | **962.331** | **757.214** | **222.007** | **979.221** |
| 1.4.1 | Derivative Financial Assets at Fair Value Through Profit or Loss | | 653.265 | 309.066 | 962.331 | 757.214 | 222.007 | 979.221 |
| 1.4.2 | Derivative Financial Assets at Fair Value Through Other Comprehensive Income | | - | - | - | - | - | - |
| **II.** | **FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)** | | **6.757.111** | **26.586.973** | **33.344.084** | **5.716.919** | **23.989.476** | **29.706.395** |
| **2.1** | **Loans** | **(5)** | **4.750.439** | **26.766.177** | **31.516.616** | **4.083.334** | **23.851.985** | **27.935.319** |
| **2.2** | **Lease Receivables** | **(10)** | **-** | **128.874** | **128.874** | **-** | **133.929** | **133.929** |
| **2.3** | **Factoring Receivables** | | **-** | **-** | **-** | **-** | **-** | **-** |
| **2.4** | **Other Financial Assets Measured at Amortized Cost** | **(6)** | **2.285.894** | **299.266** | **2.585.160** | **1.735.521** | **419.420** | **2.154.941** |
| 2.4.1 | Government Debt Securities | | 2.285.894 | 299.266 | 2.585.160 | 1.735.521 | 419.420 | 2.154.941 |
| 2.4.2 | Other Financial Assets | | - | - | - | - | - | - |
| **2.5** | **Expected Credit Losses (-)** | | **279.222** | **607.344** | **886.566** | **101.936** | **415.858** | **517.794** |
| **III.** | **PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)** | **(16)** | **64.403** | **-** | **64.403** | **1** | **-** | **1** |
| 3.1 | Held for Sale Purpose | | 64.403 | - | 64.403 | 1 | - | 1 |
| 3.2 | Related to Discontinued Operations | | - | - | - | - | - | - |
| **IV.** | **EQUITY INVESTMENTS** | | **473.335** | **-** | **473.335** | **435.915** | **-** | **435.915** |
| **4.1** | **Investments in Associates (Net)** | **(7)** | **465.976** | **-** | **465.976** | **429.546** | **-** | **429.546** |
| 4.1.1 | Accounted Under Equity Method | | 464.920 | - | 464.920 | 428.490 | - | 428.490 |
| 4.1.2 | Unconsolidated Associates | | 1.056 | - | 1.056 | 1.056 | - | 1.056 |
| **4.2** | **Subsidiaries (Net)** | **(8)** | **5.109** | **-** | **5.109** | **4.609** | **-** | **4.609** |
| 4.2.1 | Unconsolidated Financial Subsidiaries | | - | - | - | - | - | - |
| 4.2.2 | Unconsolidated Non-Financial Subsidiaries | | 5.109 | - | 5.109 | 4.609 | - | 4.609 |
| **4.3** | **Entities under Common Control (Joint Venture) (Net)** | | **2.250** | **-** | **2.250** | **1.760** | **-** | **1.760** |
| 4.3.1 | Joint Ventures Valued Based on Equity Method | | - | - | - | - | - | - |
| 4.3.2 | Unconsolidated Joint Ventures | | 2.250 | - | 2.250 | 1.760 | - | 1.760 |
| **V.** | **TANGIBLE ASSETS (Net)** | **(12)** | **347.206** | **-** | **347.206** | **292.651** | **-** | **292.651** |
| **VI.** | **INTANGIBLE ASSETS (Net)** | **(13)** | **5.074** | **-** | **5.074** | **4.872** | **-** | **4.872** |
| 6.1 | Goodwill | | 1.005 | - | 1.005 | 1.005 | - | 1.005 |
| 6.2 | Other | | 4.069 | - | 4.069 | 3.867 | - | 3.867 |
| **VII.** | **INVESTMENT PROPERTY (Net)** | **(14)** | **273.918** | **-** | **273.918** | **247.793** | **-** | **247.793** |
| **VIII.** | **CURRENT TAX ASSET** | | **255** | **-** | **255** | **3.575** | **-** | **3.575** |
| **IX.** | **DEFERRED TAX ASSET** | **(15)** | **39.930** | **-** | **39.930** | **3.844** | **-** | **3.844** |
| **X.** | **OTHER ASSETS (Net)** | **(17)** | **289.966** | **400.147** | **690.113** | **99.968** | **651.044** | **751.012** |
| | **TOTAL ASSETS** | | **11.668.804** | **30.584.207** | **42.253.011** | **10.401.050** | **27.868.390** | **38.269.440** |

(*) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

**The accompanying notes are an integral part of these unconsolidated financial statem**

# TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
# CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
# AS OF 31 DECEMBER 2019

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

| | | | Audited Current Period 31 December 2019 | | | Audited Prior Period 31 December 2018 (*) | | |
|---|---|---|---|---|---|---|---|---|
| | **LIABILITIES AND EQUITY** | **Section 5 Note II** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | **DEPOSITS** | **(1)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **II.** | **FUNDS BORROWED** | **(3)** | **635.639** | **25.992.686** | **26.628.325** | **127.007** | **23.692.663** | **23.819.670** |
| **III.** | **MONEY MARKET BALANCES** | | **535.195** | **662.172** | **1.197.367** | **264.820** | **137.458** | **402.278** |
| **IV.** | **MARKETABLE SECURITIES ISSUED (Net)** | **(3)** | **253.918** | **6.023.450** | **6.277.368** | **-** | **6.949.189** | **6.949.189** |
| 4.1 | Bills | | 108.662 | - | 108.662 | - | - | - |
| 4.2 | Assets Backed Securities | | 145.256 | - | 145.256 | - | - | - |
| 4.3 | Bonds | | - | 6.023.450 | 6.023.450 | - | 6.949.189 | 6.949.189 |
| **V.** | **BORROWER FUNDS** | | **2.494** | **56.456** | **58.950** | **2.408** | **30.121** | **32.529** |
| 5.1 | Borrower Funds | | 2.494 | 56.456 | 58.950 | 2.408 | 30.121 | 32.529 |
| 5.2 | Other | | - | - | - | - | - | - |
| **VI.** | **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | **-** | **-** | **-** | **-** | **-** | **-** |
| **VII.** | **DERIVATIVE FINANCIAL LIABILITIES** | **(2)** | **277.424** | **207.410** | **484.834** | **442.290** | **350.050** | **792.340** |
| 7.1 | Derivative Financial Liabilities at Fair Value Through Profit or Loss | | 277.424 | 207.410 | 484.834 | 442.290 | 350.050 | 792.340 |
| 7.2 | Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | | - | - | - | - | - | - |
| **VIII.** | **FACTORING LIABILITIES** | | - | - | - | - | - | - |
| **IX.** | **LEASE LIABILITIES** | **(5)** | **4.913** | **-** | **4.913** | **-** | **-** | **-** |
| **X.** | **PROVISIONS** | **(7)** | **242.096** | **22.070** | **264.166** | **250.984** | **10.292** | **261.276** |
| 10.1 | Restructuring Provisions | | - | - | - | - | - | - |
| 10.2 | Reverse for Employee Benefits | | 18.095 | - | 18.095 | 15.054 | - | 15.054 |
| 10.3 | Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4 | Other Provisions | | 224.001 | 22.070 | 246.071 | 235.930 | 10.292 | 246.222 |
| **XI.** | **CURRENT TAX LIABILITY** | **(8)** | **83.358** | **-** | **83.358** | **94.104** | **-** | **94.104** |
| **XII.** | **DEFERRED TAX LIABILITY** | **(8)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XIII.** | **LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)** | | - | - | - | - | - | - |
| 13.1 | Held for Sale Purpose | | - | - | - | - | - | - |
| 13.2 | Related to Discontinued Operations | | - | - | - | - | - | - |
| **XIV.** | **SUBORDINATED DEBT INSTRUMENTS** | **(10)** | **-** | **1.830.045** | **1.830.045** | **-** | **1.549.774** | **1.549.774** |
| 14.1 | Loans | | - | - | - | - | - | - |
| 14.2 | Other Debt Instruments | | - | 1.830.045 | 1.830.045 | - | 1.549.774 | 1.549.774 |
| **XV.** | **OTHER LIABILITIES** | | **158.620** | **86.076** | **244.696** | **137.603** | **46.601** | **184.204** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | | **5.182.346** | **(3.357)** | **5.178.989** | **4.253.510** | **(69.434)** | **4.184.076** |
| 16.1 | Paid-in capital | **(11)** | 2.800.000 | - | 2.800.000 | 2.800.000 | - | 2.800.000 |
| 16.2 | Capital Reserves | | 904 | - | 904 | 890 | - | 890 |
| 16.2.1 | Share Premium | | 530 | - | 530 | 516 | - | 516 |
| 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 | | 337.134 | (147) | 336.987 | 278.614 | 5.756 | 284.370 |
| 16.4 | Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss | | 75.403 | (3.210) | 72.193 | (64.373) | (75.190) | (139.563) |
| 16.5 | Profit Reserves | | 1.226.589 | - | 1.226.589 | 529.059 | - | 529.059 |
| 16.5.1 | Legal Reserves | | 306.633 | - | 306.633 | 272.773 | - | 272.773 |
| 16.5.2 | Status Reserves | | 75.641 | - | 75.641 | 75.641 | - | 75.641 |
| 16.5.3 | Extraordinary Reserves | | 841.395 | - | 841.395 | 177.725 | - | 177.725 |
| 16.5.4 | Other Profit Reserves | | 2.920 | - | 2.920 | 2.920 | - | 2.920 |
| 16.6 | Profit Or Loss | | 704.226 | - | 704.226 | 670.698 | - | 670.698 |
| 16.6.1 | Prior Years' Profit/Loss | | (26.278) | - | (26.278) | (58) | - | (58) |
| 16.6.2 | Current Year Profit/Loss | | 730.504 | - | 730.504 | 670.756 | - | 670.756 |
| 16.7 | Non-Controlling Interests | | 38.090 | - | 38.090 | 38.622 | - | 38.622 |
| | **TOTAL LIABILITIES AND EQUITY** | | **7.376.003** | **34.877.008** | **42.253.011** | **5.572.726** | **32.696.714** | **38.269.440** |

(*) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

## TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
## AS OF 31 DECEMBER 2019

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

| | | | Audited Current Period 31 December 2019 | | | Audited Prior Period 31 December 2018 | | |
|---|---|---|---|---|---|---|---|---|
| | **OFF-BALANCE SHEET** | **Section 5 Note III** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **A.** | **OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)** | | **8.650.964** | **56.620.778** | **65.271.742** | **10.490.917** | **55.046.934** | **65.537.851** |
| **I.** | **GUARANTEES AND COLLATERALS** | **(1)** | **450.734** | **4.096.982** | **4.547.716** | **487.945** | **2.685.862** | **3.173.807** |
| 1.1 | Letters of Guarantee | | 450.734 | 1.368.294 | 1.819.028 | 487.945 | 1.095.048 | 1.582.993 |
| 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 | | 450.734 | 1.368.294 | 1.819.028 | 487.945 | 1.095.048 | 1.582.993 |
| 1.2 | Bank Acceptances | | - | 190.447 | 190.447 | - | - | - |
| 1.2.1 | Import Letter of Acceptance | | - | 190.447 | 190.447 | - | - | - |
| 1.2.2 | Other Bank Acceptance | | - | - | - | - | - | - |
| 1.3 | Letters of Credit | | - | 2.538.241 | 2.538.241 | - | 1.590.814 | 1.590.814 |
| 1.3.1 | Documantery Letters of Credit | | - | 2.538.241 | 2.538.241 | - | 1.590.814 | 1.590.814 |
| 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 | | - | - | - | - | - | - |
| **II.** | **COMMITMENTS** | **(1)** | **1.313.799** | **3.181.266** | **4.495.065** | **1.204.053** | **2.621.343** | **3.825.396** |
| 2.1 | Irrevocable Commitments | | 968.090 | 336.269 | 1.304.359 | 967.278 | 358.418 | 1.325.696 |
| 2.1.1 | Forward Asset Purchase and Sale Commitments | | 4.506 | 16.898 | 21.404 | 29.356 | 67.684 | 97.040 |
| 2.1.2 | Forward Deposit Purchase and Sales Commitments | | - | - | - | - | - | - |
| 2.1.3 | Share Capital Commitments to Associates and Subsidiaries | | - | 96.782 | 96.782 | 400 | 97.405 | 97.805 |
| 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 | | 963.584 | 222.589 | 1.186.173 | 937.522 | 193.329 | 1.130.851 |
| 2.2 | Revocable Commitments | | 345.709 | 2.844.997 | 3.190.706 | 236.775 | 2.262.925 | 2.499.700 |
| 2.2.1 | Revocable Loan Granting Commitments | | 345.709 | 2.844.997 | 3.190.706 | 236.775 | 2.262.925 | 2.499.700 |
| 2.2.2 | Other Revocable Commitments | | - | - | - | - | - | - |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | **(2)** | **6.886.431** | **49.342.530** | **56.228.961** | **8.798.919** | **49.739.729** | **58.538.648** |
| 3.1 | Derivative Financial Instruments for Hedging Purposes | | - | 16.520.430 | 16.520.430 | - | 18.028.129 | 18.028.129 |
| 3.1.1 | Fair Value Hedge | | - | 16.520.430 | 16.520.430 | - | 18.028.129 | 18.028.129 |
| 3.1.2 | Cash Flow Hedge | | - | - | - | - | - | - |
| 3.1.3 | Hedge of Net Investment in Foreign Operations | | - | - | - | - | - | - |
| 3.2 | Held for Trading Transactions | | 6.886.431 | 32.822.100 | 39.708.531 | 8.798.919 | 31.711.600 | 40.510.519 |
| 3.2.1 | Forward Foreign Currency Buy/Sell Transactions | | 2.715.295 | 2.672.415 | 5.387.710 | 1.819.934 | 1.981.015 | 3.800.949 |
| 3.2.1.1 | Forward Foreign Currency Transactions-Buy | | 1.359.615 | 1.335.965 | 2.695.580 | 974.149 | 964.311 | 1.938.460 |
| 3.2.1.2 | Forward Foreign Currency Transactions-Sell | | 1.355.680 | 1.336.450 | 2.692.130 | 845.785 | 1.016.704 | 1.862.489 |
| 3.2.2 | Swap Transactions Related to Foreign Currency and Interest Rate | | 3.283.114 | 29.261.907 | 32.545.021 | 4.415.005 | 27.012.656 | 31.427.661 |
| 3.2.2.1 | Foreign Currency Swap-Buy | | 664.611 | 6.474.510 | 7.139.121 | 982.222 | 6.479.239 | 7.461.461 |
| 3.2.2.2 | Foreign Currency Swap-Sell | | 2.618.503 | 4.090.143 | 6.708.646 | 3.432.783 | 3.821.411 | 7.254.194 |
| 3.2.2.3 | Interest Rate Swap-Buy | | - | 9.348.627 | 9.348.627 | - | 8.356.003 | 8.356.003 |
| 3.2.2.4 | Interest Rate Swap-Sell | | - | 9.348.627 | 9.348.627 | - | 8.356.003 | 8.356.003 |
| 3.2.3 | Foreign Currency, Interest Rate, and Securities Options | | 888.022 | 887.778 | 1.775.800 | 2.563.980 | 2.704.528 | 5.268.508 |
| 3.2.3.1 | Foreign Currency Options-Buy | | 444.061 | 443.889 | 887.950 | 1.281.990 | 1.352.264 | 2.634.254 |
| 3.2.3.2 | Foreign Currency Options-Sell | | 443.961 | 443.889 | 887.850 | 1.281.990 | 1.352.264 | 2.634.254 |
| 3.2.3.3 | Interest Rate Options-Buy | | - | - | - | - | - | - |
| 3.2.3.4 | Interest Rate Options-Sell | | - | - | - | - | - | - |
| 3.2.3.5 | Securities Options-Buy | | - | - | - | - | - | - |
| 3.2.3.6 | Securities Options-Sell | | - | - | - | - | - | - |
| 3.2.4 | Foreign Currency Futures | | - | - | - | - | - | - |
| 3.2.4.1 | Foreign Currency Futures-Buy | | - | - | - | - | - | - |
| 3.2.4.2 | Foreign Currency Futures-Sell | | - | - | - | - | - | - |
| 3.2.5 | Interest Rate Futures | | - | - | - | - | - | - |
| 3.2.5.1 | Interest Rate Futures-Buy | | - | - | - | - | - | - |
| 3.2.5.2 | Interest Rate Futures-Sell | | - | - | - | - | - | - |
| 3.2.6 | Other | | - | - | - | - | 13.401 | 13.401 |
| **B.** | **CUSTODY AND PLEDGES SECURITIES (IV+V+VI)** | | **75.378.722** | **466.258.507** | **541.637.229** | **70.908.800** | **361.697.865** | **432.606.665** |
| **IV.** | **ITEMS HELD IN CUSTODY** | | **2.730.641** | **688.583** | **3.419.224** | **1.476.393** | **268.838** | **1.745.231** |
| 4.1 | Customers' Securities Held | | - | - | - | - | - | - |
| 4.2 | Investment Securities Held in Custody | | 2.136.470 | 688.583 | 2.825.053 | 1.425.034 | 268.019 | 1.693.053 |
| 4.3 | Checks Received for Collection | | 248 | - | 248 | 130 | - | 130 |
| 4.4 | Commercial Notes Received for Collection | | - | - | - | - | 819 | 819 |
| 4.5 | Other Assets Received for Collection | | - | - | - | - | - | - |
| 4.6 | Assets Received for Public Offering | | - | - | - | - | - | - |
| 4.7 | Other Items Under Custody | | - | - | - | - | - | - |
| 4.8 | Custodians | | 593.923 | - | 593.923 | 51.229 | - | 51.229 |
| **V.** | **PLEDGES ITEMS** | | **52.958.989** | **254.620.688** | **307.579.677** | **50.395.754** | **208.822.385** | **259.218.139** |
| 5.1 | Marketable Securities | | 471.248 | 13.784.545 | 14.255.793 | 484.248 | 12.637.631 | 13.121.879 |
| 5.2 | Guarantee Notes | | 95.499 | 3.691.702 | 3.787.201 | 72.835 | 3.180.176 | 3.253.011 |
| 5.3 | Commodity | | - | - | - | - | - | - |
| 5.4 | Warranty | | - | - | - | - | - | - |
| 5.5 | Real Estate | | 3.805.808 | 63.849.083 | 67.654.891 | 3.232.731 | 56.825.467 | 60.058.198 |
| 5.6 | Other Pledged Items | | 48.586.434 | 173.295.358 | 221.881.792 | 46.605.940 | 136.179.111 | 182.785.051 |
| 5.7 | Pledged Items-Depository | | - | - | - | - | - | - |
| **VI.** | **ACCEPTED BILL OF EXCHANGE AND COLLATERALS** | | **19.689.092** | **210.949.236** | **230.638.328** | **19.036.653** | **152.606.642** | **171.643.295** |
| | **TOTAL OFF BALANCE SHEET ITEMS (A+B)** | | **84.029.686** | **522.879.285** | **606.908.971** | **81.399.717** | **416.744.799** | **498.144.516** |

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

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

| | **STATEMENT OF PROFIT OR LOSS** | **Section 5 Note IV** | **Audited Current Period 1 January 2019 – 31 December 2019** | **Audited Prior Period 1 January 2018 – 31 December 2018(*)** |
|---|---|---|---|---|
| **I.** | **INTEREST INCOME** | **(1)** | **3.313.001** | **3.110.109** |
| 1.1 | Interest on Loans | | 2.260.048 | 2.133.352 |
| 1.2 | Interest Received from Reserve Deposits | | 7.101 | 10.258 |
| 1.3 | Interest Received from Banks | | 60.321 | 78.878 |
| 1.4 | Interest Received from Money Market Placements | | 290.429 | 107.098 |
| 1.5 | Interest Received from Marketable Securities Portfolio | | 670.421 | 762.490 |
| 1.5.1 | Fair Value Through Profit or Loss | | 1.327 | 1.514 |
| 1.5.2 | Fair Value Through other Comprehensive Income | | 442.296 | 358.776 |
| 1.5.3 | Measured at Amortized Cost | | 226.798 | 402.200 |
| 1.6 | Finance Lease Income | | 6.406 | 6.060 |
| 1.7 | Other Interest Income | | 18.275 | 11.973 |
| **II.** | **INTEREST EXPENSES (-)** | **(2)** | **1.401.717** | **1.381.391** |
| 2.1 | Interest on Deposits | | - | - |
| 2.2 | Interest on Funds Borrowed | | 669.318 | 581.108 |
| 2.3 | Interest on Money Market Borrowings | | 157.818 | 307.521 |
| 2.4 | Interest on Securities Issued | | 565.831 | 491.351 |
| 2.5 | Leasing Interest Expense | | 1.143 | - |
| 2.6 | Other Interest Expense | | 7.607 | 1.411 |
| **III.** | **NET INTEREST INCOME (I - II)** | | **1.911.284** | **1.728.718** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME / EXPENSES** | | **65.103** | **51.398** |
| 4.1 | Fees and Commissions Received | | 78.154 | 63.929 |
| 4.1.1 | Non-cash Loans | | 24.400 | 20.932 |
| 4.1.2 | Other | | 53.754 | 42.997 |
| 4.2 | Fees and Commissions Paid (-) | | 13.051 | 12.531 |
| 4.2.1 | Non-cash Loans | | 2.916 | 2.876 |
| 4.2.2 | Other | | 10.135 | 9.655 |
| **V.** | **DIVIDEND INCOME** | **(3)** | **6.754** | **5.525** |
| **VI.** | **NET TRADING INCOME** | **(4)** | **(419.123)** | **(329.200)** |
| 6.1 | Securities Trading Gains / (Losses) | | 3.737 | 2.202 |
| 6.2 | Derivative Financial Instruments Gains / Losses | | (489.078) | (616.348) |
| 6.3 | Foreign Exchange Gains / Losses (Net) | | 66.218 | 284.946 |
| **VII.** | **OTHER OPERATING INCOME** | **(5)** | **65.550** | **109.093** |
| **VIII.** | **GROSS OPERATING INCOME (III+IV+V+VI+VII)** | | **1.629.568** | **1.565.534** |
| **IX.** | **EXPECTED CREDIT LOSSES (-)** | **(6)** | **460.631** | **532.649** |
| **X.** | **OTHER PROVISION EXPENSES (-)** | **(6)** | - | - |
| **XI.** | **PERSONNEL EXPENSES (-)** | | **156.391** | **131.246** |
| **XII.** | **OTHER OPERATING EXPENSES (-)** | **(7)** | **99.017** | **78.698** |
| **XIII.** | **NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)** | | **913.529** | **822.941** |
| **XIV.** | **AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER** | | - | - |
| **XV.** | **PROFIT / (LOSS) ON EQUITY METHOD** | | **19.944** | **90.705** |
| **XVI.** | **GAIN / (LOSS) ON NET MONETARY POSITION** | | - | - |
| **XVII.** | **PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)** | | **933.473** | **913.646** |
| **XVIII.** | **TAX PROVISION FOR CONTINUED OPERATIONS (±)** | **(8)** | **197.332** | **250.383** |
| 18.1 | Provision for Current Income Taxes | | 286.837 | 147.709 |
| 18.2 | Deferred Tax Income Effect (+) | | 193.394 | 250.149 |
| 18.3 | Deferred Tax Expense Effect (-) | | 282.899 | 147.475 |
| **XIX.** | **NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)** | **(10)** | **736.141** | **663.263** |
| **XX.** | **INCOME ON DISCONTINUED OPERATIONS** | | - | - |
| 20.1 | Income on Assets Held for Sale | | - | - |
| 20.2 | Income on Sale of Associates, Subsidiaries and JointlyControlled Entities (Joint Venture) | | - | - |
| 20.3 | Income on Other Discontinued Operations | | - | - |
| **XXI.** | **LOSS FROM DISCONTINUED OPERATIONS (-)** | | - | - |
| 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 | | - | - |
| **XXII.** | **PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)** | | - | - |
| **XXIII.** | **TAX PROVISION FOR DISCONTINUED OPERATIONS (±)** | | - | - |
| 23.1 | Provision for Current Income Taxes | | - | - |
| 23.2 | Deferred Tax Expense Effect (+) | | - | - |
| 23.3 | Deferred Tax Income Effect (-) | | - | - |
| **XXIV.** | **NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)** | | - | - |
| **XXV.** | **NET PROFIT/LOSS (XIX+XXIV)** | **(11)** | **736.141** | **663.263** |
| 25.1 | Group's Profit / Loss | | 730.504 | 670.756 |
| 25.2 | Minority Shares (-) | | 5.637 | (7.493) |
| | Earning / (loss) per share | | 0,261 | 0,240 |

(*) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

**The accompanying notes are an integral part of these consolidated financial statements**

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

| | **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | **Audited Current Period 1 January 2019 – 31 December 2019** | **Audited Prior Period 1 January 2018 – 31 December 2018** |
|---|---|---|---|
| **I.** | **CURRENT PERIOD INCOME / LOSS** | **736.141** | **663.263** |
| **II.** | **OTHER COMPREHENSIVE INCOME** | **264.373** | **(64.978)** |
| **2.1** | **Not Reclassified Through Profit or Loss** | **52.617** | **52.250** |
| 2.1.1 | Property and Equipment Revaluation Increase / Decrease | 49.105 | 47.172 |
| 2.1.2 | Intangible Assets Revaluation Increase / Decrease | - | - |
| 2.1.3 | Defined Benefit Pension Plan Remeasurement Gain / Loss | (1.034) | (684) |
| 2.1.4 | Other Comprehensive Income Items Not Reclassified Through Profit or Loss | 4.339 | 7.639 |
| 2.1.5 | Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss | 207 | (1.877) |
| **2.2** | **Reclassified Through Profit or Loss** | **211.756** | **(117.228)** |
| 2.2.1 | Foreign Currency Translation Differences | 5.010 | 7.857 |
| 2.2.2 | Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income | 243.694 | (157.047) |
| 2.2.3 | Cash Flow Hedge Income / Loss | - | - |
| 2.2.4 | Income (Loss) Related with Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5 | Other Comprehensive Income Items Reclassified Through Profit or Losses | 16.678 | (2.431) |
| 2.2.6 | Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss | (53.626) | 34.393 |
| **III.** | **TOTAL COMPREHENSIVE INCOME (I+II)** | **1.000.514** | **598.285** |

**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 2019

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

| | | | | | | | Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss | | | Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CHANGES IN SHAREHOLDERS' EQUITY | Note | Paid-in Capital | Share Premiums | Share Cancellation Profits | Other Capital Reserves | 1 | 2 | 3 | 4 | 5 | 6 | Profit Reserves | Prior Period Profit or (Loss) | Current Period Profit or (Loss) | Total Equity Except from Minority Interest | Minority Interest | Total Shareholders' Equity |
| | **Prior Period – 31 December 2018** | | | | | | | | | | | | | | | | | |
| **I.** | **Prior Period End Balance** | | **2.400.000** | **428** | **-** | **374** | **215.352** | **(30)** | **16.798** | **7.847** | **(39.404)** | **(13.879)** | **441.740** | **629.396** | **-** | **3.658.622** | **52.719** | **3.711.341** |
| **II.** | **Corrections and Accounting Policy Changes Made According to TAS 8** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **23.101** | **-** | **(37.176)** | **-** | **(14.075)** | **(87)** | **(14.162)** |
| 2.1 | Effects of Errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 | Effects of the Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | 23.101 | - | (37.176) | - | (14.075) | (87) | (14.162) |
| **III.** | **Adjusted Beginning Balance (I+II)** | | **2.400.000** | **428** | **-** | **374** | **215.352** | **(30)** | **16.798** | **7.847** | **(39.404)** | **9.222** | **441.740** | **592.220** | **-** | **3.644.547** | **52.632** | **3.697.179** |
| **IV.** | **Total Comprehensive Income** | | **-** | **-** | **-** | **-** | **46.142** | **(536)** | **6.644** | **7.857** | **(122.654)** | **(2.431)** | **-** | **-** | **670.756** | **605.778** | **(7.493)** | **598.285** |
| **V.** | **Capital Increase by Cash** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VI.** | **Capital Increase by Internal Sources** | | **400.000** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(400.000)** | **-** | **-** | **-** | **-** |
| **VII.** | **Effect of Inflation on Paid-in Capital** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VIII.** | **Convertible Bonds to Share** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **IX.** | **Subordinated Debt Instruments** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **X.** | **Increase/Decrease by Other Changes** | | **-** | **88** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **851** | **3.695** | **-** | **4.634** | **(6.517)** | **(1.883)** |
| **XI.** | **Profit Distribution** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **86.468** | **(195.973)** | **-** | **(109.505)** | **-** | **(109.505)** |
| 11.1 | Dividends Distributed | | - | - | - | - | - | - | - | - | - | - | - | (109.865) | - | (109.865) | - | (109.865) |
| 11.2 | Transfers to Reserves | | - | - | - | - | - | - | - | - | - | - | 86.468 | (86.108) | - | 360 | - | 360 |
| 11.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Period-End Balance (III+IV+…...+X+XI)** | | **2.800.000** | **516** | **-** | **374** | **261.494** | **(566)** | **23.442** | **15.704** | **(162.058)** | **6.791** | **529.059** | **(58)** | **670.756** | **4.145.454** | **38.622** | **4.184.076** |

1.Accumulated Revaluation Increase / Decrease of Fixed Assets,
2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan,
3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4.Foreign Currency Translition Differences,
5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

# TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2019

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

| | | | | | | | Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss | | | Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CHANGES IN SHAREHOLDERS' EQUITY | Note | Paid-in Capital | Share Premiums | Share Cancellation Profits | Other Capital Reserves | 1 | 2 | 3 | 4 | 5 | 6 | Profit Reserves | Prior Period Profit or (Loss) | Current Period Profit or (Loss) | Total Equity Except from Minority Interest | Minority Interest | Total Shareholders' Equity |
| | **Current Period – 31 December 2019** | | | | | | | | | | | | | | | | | |
| **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 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Period-End Balance (III+IV+…...+X+XI)** | | **2.800.000** | **530** | **-** | **374** | **310.599** | **(1.393)** | **27.781** | **20.714** | **28.010** | **23.469** | **1.226.589** | **(26.278)** | **730.504** | **5.140.899** | **38.090** | **5.178.989** |

1.Accumulated Revaluation Increase / Decrease of Fixed Assets,
2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan,
3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4.Foreign Currency Translition Differences,
5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

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

| | | Note | Audited<br>Current Period<br>31 December 2019 | Audited<br>Prior Period<br>31 December 2018 |
|---|---|---|---|---|
| **A.** | **CASH FLOWS FROM BANKING OPERATIONS** | | **1.125.037** | **1.679.473** |
| **1.1** | **Operating Profit Before Changes in Operating Assets and Liabilities** | | 2.971.773 | 2.537.294 |
| 1.1.1 | Interest Received | | (1.250.464) | (1.342.871) |
| 1.1.2 | Interest Paid | | 6.754 | 5.525 |
| 1.1.3 | Dividends Received | | 78.154 | 63.929 |
| 1.1.4 | Fees and Commissions Received | | 80.871 | 78.663 |
| 1.1.5 | Other Income | | 85.017 | 9.100 |
| 1.1.6 | Collections from Previously Written off Loans | | (182.369) | (155.153) |
| 1.1.7 | Payments to Personnel and Service Suppliers | | (288.619) | (104.310) |
| 1.1.8 | Taxes Paid | | (376.080) | 587.296 |
| 1.1.9 | Others | | | |
| | | | **683.347** | **(1.723.950)** |
| **1.2** | **Changes in Operating Assets and Liabilities** | | (5.157) | (1.541) |
| 1.2.1 | Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss | | - | - |
| 1.2.2 | Net (Increase) (Decrease) in Due from Banks | | - | 1.204.032 |
| 1.2.3 | Net (Increase) (Decrease) in Loans | | 310.064 | (392.290) |
| 1.2.4 | Net (Increase) (Decrease) in Other Assets | | 120.049 | - |
| 1.2.5 | Net (Increase) (Decrease) in Bank Deposits | | - | - |
| 1.2.6 | Net (Increase) (Decrease) in Other Deposits | | - | - |
| 1.2.7 | Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss | | (319.292) | (1.621.868) |
| 1.2.8 | Net (Increase) (Decrease) in Funds Borrowed | | - | - |
| 1.2.9 | Net (Increase) (Decrease) in Matured Payable | | 577.683 | (912.283) |
| 1.2.10 | Net (Increase) (Decrease) in Other Liabilities | | | |
| | | | **1.808.384** | **(44.477)** |
| **I.** | **Net Cash Provided by / (used in) Banking Operations** | | | |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| | | | **(521.520)** | **(328.661)** |
| **II.** | **Net Cash Provided by / (used in) Investing Activities** | | | |
| | | | (990) | (3.000) |
| 2.1 | Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries | | - | - |
| 2.2 | Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries | | (9.698) | (4.924) |
| 2.3 | Purchases of Property and Equipment | | 5.592 | 94 |
| 2.4 | Disposals of Property and Equipment | | (1.048.151) | (680.955) |
| 2.5 | Purchase of Financial Assets at Fair Value through Other Comprehensive Income | | 772.368 | 590.195 |
| 2.6 | Sale of Financial Assets at Fair Value through Other Comprehensive Income | | (433.812) | (227.528) |
| 2.7 | Purchase of Financial Assets Measured at Amortized Cost | | 195.251 | - |
| 2.8 | Sale of Financial Assets Measured at Amortized Cost | | (2.080) | (2.543) |
| 2.9 | Others | | | |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **III.** | **Net Cash Provided by / (used in) Financing Activities** | | **(1.897.241)** | **1.208.745** |
| 3.1 | Cash Obtained From Funds Borrowed and Securities Issued | | 108.662 | 1.318.590 |
| 3.2 | Cash Used for Repayment of Funds Borrowed and Securities Issued | | (2.004.016) | - |
| 3.3 | Capital Increase | | - | - |
| 3.4 | Dividends Paid | | (134) | (109.865) |
| 3.5 | Payments for Leases | | (1.753) | - |
| 3.6 | Other | | - | 20 |
| **IV.** | **Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents** | | **4.354** | **45.970** |
| **V.** | **Net Increase / (Decrease) in Cash and Cash Equivalents** | | **(606.023)** | **881.577** |
| **VI.** | **Cash and Cash Equivalents at Beginning of the Period** | | **1.385.825** | **504.248** |
| **VII.** | **Cash and Cash Equivalents at End of the Period** | | **779.802** | **1.385.825** |

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

# CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
# FOR THE YEAR ENDED 31 DECEMBER 2019

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

| | | Audited Current Period 31 December 2019 | Audited Prior Period 31 December 2018 (1) |
|---|---|---|---|
| **I.** | **DISTRIBUTION OF CURRENT YEAR INCOME (*)** | | |
| 1.1 | CURRENT YEAR INCOME | 894.227 | 909.263 |
| 1.2 | TAXES AND DUTIES PAYABLE | 192.582 | 248.337 |
| 1.2.1 | Corporate Tax (Income tax) | 280.993 | 146.335 |
| 1.2.2 | Income withholding tax | - | - |
| 1.2.3 | Other taxes and duties (3) | (88.411) | 102.002 |
| **A.** | **NET INCOME FOR THE YEAR (1.1-1.2)** | **701.645** | **660.926** |
| 1.3 | PRIOR YEARS LOSSES (-) | - | - |
| 1.4 | FIRST LEGAL RESERVES (-) | - | 33.046 |
| 1.5 | OTHER STATUTORY RESERVES (-) | - | - |
| **B.** | **NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]** | **701.645** | **627.880** |
| 1.6 | FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 | To owners of ordinary shares | - | - |
| 1.6.2 | To owners of preferred shares | - | - |
| 1.6.3 | To owners of preferred shares (pre-emptive rights) | - | - |
| 1.6.4 | To profit sharing bonds | - | - |
| 1.6.5 | To holders of profit and loss sharing certificates | - | - |
| 1.7 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 | SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 | To owners of ordinary shares | - | - |
| 1.9.2 | To owners of preferred shares | - | - |
| 1.9.3 | To owners of preferred shares (pre-emptive rights) | - | - |
| 1.9.4 | To profit sharing bonds | - | - |
| 1.9.5 | To holders of profit and loss sharing certificates | - | - |
| 1.10 | SECOND LEGAL RESERVES (-) | - | - |
| 1.11 | STATUTORY RESERVES (-) | - | - |
| 1.12 | GENERAL RESERVES | - | 627.880 |
| 1.13 | OTHER RESERVES | - | - |
| 1.14 | SPECIAL FUNDS | - | - |
| **II.** | **DISTRIBUTION OF RESERVES** | - | - |
| 2.1 | APPROPRIATED RESERVES | - | - |
| 2.2 | SECOND LEGAL RESERVES (-) | - | - |
| 2.3 | DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1 | To owners of ordinary shares | - | - |
| 2.3.2 | To owners of preferred shares | - | - |
| 2.3.3 | To owners of preferred shares (pre-emptive rights) | - | - |
| 2.3.4 | To profit sharing bonds | - | - |
| 2.3.5 | To holders of profit and loss sharing certificates | - | - |
| 2.4 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| **III.** | **EARNINGS PER SHARE (2)** | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES | 0,26 | 0,24 |
| 3.2 | TO OWNERS OF ORDINARY SHARES (%) | 25,06 | 23,60 |
| 3.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| **IV.** | **DIVIDEND PER SHARE** | | |
| 4.1 | TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 | TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 | TO OWNERS OF PRIVILAGED SHARES | - | - |
| 4.4 | TO OWNERS OF PRIVILEGED SHARES ( % ) | - | - |

(1) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2019 yet, only profit available for distribution for the year 2019 is presented.
(2) A nominal value of 1 Kuruş figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kuruş.
(3) The current amount is deferred tax expense and the prior amount is deferred tax income.
(*) According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements is belong to the Parent Bank.

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

# SECTION THREE

# ACCOUNTING POLICIES

## I. Basis of presentation

### I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The consolidated financial statements are prepared its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations and the amendments dated 1 February 2019 to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to announced to public dated 28 June 2012 and with No. 28337 "Communique' on Publicly Announced Financial Statements Explanations and notes to the Financial Statements".

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2019 period of Group are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below. The format and content of the accompanying consolidated financial statements and footnotes have been prepared in accordance with the "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."

**Additional paragraph for convenience translation to English**

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34" Interim Financial reporting" except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

### I.b Changes in accounting policies and disclosures

### I.b.1 Major new and amended standards and interpretations

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Parent Bank.

### I.b.2 TFRS 16 Leases

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease.Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply "TFRS 16 Leases" Standard starting from 1 January 2019. The Bank has applied TFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application TFRS 16 are stated below.

## SECTION THREE (Continued)

## ACCOUNTING POLICIES (Continued)

### I. Basis of presentation (continued)

### I.b.2 TFRS 16 Leases (continued)

***Right-of-use assets***

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes

(a) the amount of lease liabilities recognised,
(b) initial direct costs incurred,
(c) lease payments made at or before the commencement date less any lease incentives received.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

***Lease Liabilities***

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include

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.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### I. Basis of presentation (continued)

### I.c The valuation principles used in the preparation of the financial statements

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

### I.d The items which have different accounting policies applied in the preparation of the consolidated financial statements and their ratios to the total of the related items in the consolidated financial statements

Different accounting policies are not applied in the preparation of consolidated financial statements.

### II. Explanations on usage strategy of financial assets and foreign currency transactions

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the the Group have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Group and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Group performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued. The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

TFRS 9 provides the option of deferring the adoption of TFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Parent Bank continues to apply the provisions of TAS 39 hedge accounting.

The Parent Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Group's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities:

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

### III. Explanations on associates and subsidiaries

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section V.

### IV. Explanations on forward and option contracts and derivative instruments

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps and option agreements.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### IV. Explanations on forward and option contracts and derivative instruments (continued)

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transaction.

### V. Explanations on associates and subsidiaries

The Parent Bank's financial subsidiaries' are reflected the consolidated financial statements according to the equity method in accordance with TAS 28 - Investment in Associates and Joint Ventures Related to the Turkish Accounting Standards. Unconsolidated and non financial subsidiaries and associates are presented in the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard with their cost values after the deduction of, if any, impairment losses.

### VI. Explanations on interest income and expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 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.

**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.

## SECTION THREE (Continued)

## ACCOUNTING POLICIES (Continued)

### VIII. Explanations on financial assets (Continued)

#### Assessment of business model

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intent of the management on an individual financial intermediary, so the condition is not a classification approach on the basis of a financial instrument but an evaluation by combining the financial assets. When the business model used for the management of financial assets is being evaluated, all evidence is taken into account. Such evidence includes the following:

- How the performance of financial assets held by the business model and business model is reported by the key executive personnel,
- Risks affecting the performance of the business model (financial assets held within the business model) and, in particular type of management,
- How the additional payments to the managers are determined (for example, whether additional payments are determined according to the fair value of the assets being managed or on the contractual cash flows collected).

Business model evaluation is not based on scenarios in which the operator is not expected to be at a reasonable level, such as the "worst case" or "pressure case" scenarios. The same business model does not require a change in the classification of other financial assets as long as the cash flows are realized differently from the expected future date when the business model is assessed, the error correction is made in the financial statements or all relevant information available at the time of the valuation of the business model is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how past cash flows have been taken into account along with other relevant information is also taken into account. The business models that comprise the bet are composed of three categories. These categories are as follows:

- Business model aimed to hold assets in order to collect contractual cash flows: This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Business model whose objective is to hold assets in order to collect contractual cash flows: The Parent Bank may hold financial assets in this business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Other Business Model: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**The contractual cash flows including solely principle and interest on principle**

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

**Measurement categories of financial assets and liabilities**

Financial assets are classified compliance with TFRS 9 in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

**a. Financial assets at the fair value through profit or loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

The Parent Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/ loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as “interest income” in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under “trading account income/losses” in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under “trading account income/losses”.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on financial assets (Continued)**

**Measurement categories of financial assets and liabilities (continued)**

**a. Financial assets at the fair value through profit or loss (continued)**

Syndicated loans extended to Ojer Telekomünikasyon A.Ş. (OTAŞ) in the previous periods were restructed. Within this scope, in order to form the colleteral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Turk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yonetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September , 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 31 December 2019, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under " Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 34.196 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss ".

Total assets amounting to TL 327.499 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports). The maturity of the loan is 1 year and the maturity can be extended.

The main objective of the lending banks is to transfer Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. 55% of LYY Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on 19 September 2019 for the sale of its shares. In this context, necessary studies related to sales and negotiations with potential investors will be initiated.

**b. Financial Assets at Fair Value Through Other Comprehensive Income:**

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

## SECTION THREE (Continued)

## ACCOUNTING POLICIES (Continued)

### VIII. Explanations on financial assets (Continued)

#### Measurement categories of financial assets and liabilities (continued)

**b. Financial Assets at Fair Value Through Other Comprehensive Income (continued):**

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrecovable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**c. Financial Assets Measured at Amortized Cost:**

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

In the "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Parent Bank, there are Consumer Price Indexed (CPI) Bonds.

## SECTION THREE (Continued)

## ACCOUNTING POLICIES (Continued)

### VIII. Explanations on financial assets (Continued)

#### 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.

**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)
- Colleteral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

Financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

***Stage 1:***

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

## IX. Explanations on impairment of financial assets (continued)

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.

**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.

***Stage 3:***

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.

2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

**Debt instruments measured at fair value through other comprehensive income**

According to TFRS 9 the impairment requirements are applied for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

**Significant increase in credit risk**

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk). Credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

## IX. Explanations on impairment of financial assets (continued)

**Significant increase in credit risk (continued)**

If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in the parent bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

## X. Explanations on offsetting, derecognition and restructuring of financial instruments

**a. Offsetting of financial instruments**

Financial assets and liabilities are offset when the Parent Bank has a legally enforceable right to set off, and when the Parent Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Parent Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

**b. Derecognition of financial instruments**

**Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### X. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)

**Derecognition of financial assets without any change in contractual terms**

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

**Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

**c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

The Bank has fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in Section 3, Note VIII.

**d. Restructuring and refinancing of financial instruments**

The Parent Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Parent Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Resturected Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### X. Explanations on offsetting, derecognition and restructuring of financial instruments (continued)

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

### XI. Explanations on sales and repurchase agreements and lending of securities

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Group are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

### XII. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumtances may extend the completion of the sale more than one year.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XII. Explanations on assets held for sale and discontinued operations (continued)

Such assets are still classified as held for sale if there is sufficient evidence that the delay inthe sale process is due to the events and circumtances occured beyond the control of the entity or the entry remains commited to its plan to sell the asset (or disposal group). As of 31 December 2019, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I.16. A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented seperately in the income statement.

### XIII. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

### XIV. Explanations on tangible assets

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

As of the third quarter of 2015, the Group changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal’s report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its “net realizable value” and are reserved impairment provision associated with expense accounts.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XIV. Explanations on tangible assets (continued)

The positive difference between 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.

| 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

***The Group as Lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

***The Group as Lessee***

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

In accordance with TFRS 16, the lessee, at the effective date of the lease, measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use related to the same date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The interest expense on the lease liability and the depreciation expense on right of use are recorded separately.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XVI. Explanations on provisions and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Group discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Parent Bank’s best expectation of expenses in fulfilling the obligation, and discounted to present value if material. Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Group.

***Explanations on contingent assets***

Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Parent Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred.

### XVII. Explanations on liabilities regarding employee benefits

Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal. The Group calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Parent Bank are members of “Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı” and “Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (“the Pension Fund”). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of “Regulations on Actuaries” issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act (“Banking Act”) No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court’s decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XVII. Explanations on liabilities regarding employee benefits (continued)

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 and Law no 5510 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and law no 6645 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XVII. Explanations on liabilities regarding employee benefits (continued)

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020. There is no need for technical or actual deficit to book provision as of 31 December 2019. In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

### XVIII. Explanations on taxation

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 2018: 22%). In accordance with the Temporary Article 10 added to the Corporate Tax Law, Corporate Tax applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

The Parent Bank started calculating deferred tax for the expected credit losses for stage 1 and stage 2.

## SECTION THREE (Continued)

### ACCOUNTING POLICIES (Continued)

### XVIII. Explanations on taxation (continued)

***Transfer pricing***

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing Through Camouflage of Earnings ". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing". According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

### XIX. Additional explanations on borrowings

The Parent Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed. The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value.

### XX. Explanations on share certificates issued

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that the Parent Bank has no capital increase.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. The increase in paid-in capital was approved by the BRSA on 26 April 2018 and disclosed in the dated 7 June 2018 and numbered 9605 Turkish Trade Registy Gazette.

### XXI. Explanations on acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

### XXII. Explanations on government incentives

The Parent Bank does not use government incentives.

### XXIII. Explanations on segment reporting

In accordance with its mission, the Parent Bank mainly operates in corporate and investment banking segments.The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

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

# SECTION THREE (Continued)

## ACCOUNTING POLICIES (Continued)

### XXIII. Explanations on segment reporting (continued)

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

The segmental allocation of the Group’s net profit, total assets and total liabilities are shown below.

| **Current Period** | **Corporate Banking** | **Investment Banking** | **Other** | **Total** |
|---|---|---|---|---|
| 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) |
| **Net Profit** | | | | **736.141** |
| Group’s profit / loss | | | | 730.504 |
| Minority share profit / loss | | | | 5.637 |
| **Current Period** | **Corporate Banking** | **Investment Banking** | **Other** | **Total** |
| Segment Assets | 30.810.345 | 8.959.572 | 2.009.759 | 41.779.676 |
| Investment in Associates and Subsidiaries | - | - | 473.335 | 473.335 |
| **Total Assets** | **30.810.345** | **8.959.572** | **2.483.094** | **42.253.011** |
| Segment Liabilities | 34.200.426 | 1.031.556 | 1.842.040 | 37.074.022 |
| Shareholders’ Equity | - | - | 5.178.989 | 5.178.989 |
| **Total Liabilities** | **34.200.426** | **1.031.556** | **7.021.029** | **42.253.011** |

| **Prior Period** | **Corporate Banking** | **Investment Banking** | **Other** | **Total** |
|---|---|---|---|---|
| Net Interest Income | 795.430 | 957.962 | (24.674) | 1.728.718 |
| Net Feesand Commission Income | 20.698 | (1.697) | 32.397 | 51.398 |
| Other Income | - | - | 205.323 | 205.323 |
| Other Expense | (512.293) | (289.978) | (269.522) | (1.071.793) |
| Profit Before Tax | 303.835 | 666.287 | (56.476) | 913.646 |
| Tax Provision | | | | (250.383) |
| **Net Profit** | | | | **663.263** |
| Group’s profit / loss | | | | 670.756 |
| Minority share profit / loss | | | | (7.493) |
| **Prior Period** | **Corporate Banking** | **Investment Banking** | **Other** | **Total** |
| Segment Assets | 27.716.305 | 8.402.131 | 1.715.089 | 37.833.525 |
| Investment in Associates and Subsidiaries | - | - | 435.915 | 435.915 |
| **Total Assets** | **27.716.305** | **8.402.131** | **2.151.004** | **38.269.440** |
| Segment Liabilities | 31.320.591 | 933.391 | 1.831.382 | 34.085.364 |
| Shareholders’ Equity | - | - | 4.184.076 | 4.184.076 |
| **Total Liabilities** | **31.320.591** | **933.391** | **6.015.458** | **38.269.440** |

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

# SECTION FOUR

## INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

### I. Explanations related to consolidated shareholders' equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019, the capital adequacy ratio of the Parent Bank has been calculated as 17,39% (31 December 2018: 15,99%).

| | Consolidated | Consolidated |
|---|---|---|
| **CORE EQUITY TIER 1 CAPITAL** | **Current Period** | **Prior Period** |
| Paid-in capital to be entitled for compensation after all creditors | 2.800.374 | 2.800.374 |
| Share premiums | 530 | 516 |
| Reserves | 1.226.589 | 529.059 |
| Other comprehensive income according to TAS | 479.966 | 397.130 |
| Profit | 704.226 | 670.698 |
| Current Period Profit | 730.504 | 670.756 |
| Prior Period Profit | (26.278) | (58) |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit | - | - |
| Minority shareholder | 38.090 | 38.622 |
| **Core Equity Tier 1 Capital Before Deductions** | **5.249.775** | **4.436.399** |
| **Deductions from Core Equity Tier 1 Capital** | | |
| Valuation adjustments calculated as per the 1st clause of article 9.(i) of the Regulation on Bank Capital | - | - |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS | 70.786 | 252.323 |
| Leasehold improvements on operational leases | 2.606 | 3.985 |
| Goodwill (net of related tax liability) | 1.005 | - |
| Other intangible assets other than mortgage-servicing rights (net of related tax liability) | 4.069 | 4.872 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk | - | - |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision | - | - |
| Gains arising from securitization transactions | - | - |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| Net amount of defined benefit plans | - | - |
| Investments in own common equity | - | - |
| Shares obtained against article 56, paragraph 4 of Banking Law | - | - |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | - |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital | - | 31.177 |
| Mortgage servicing rights not deducted | - | - |
| Excess amount arising from deferred tax assets from temporary differences | - | - |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | - |

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### I. Explanations related to consolidated shareholders' equity (continued)

| | | |
|---|---|---|
| Excess amount arising from deferred tax assets from temporary differences | - | - |
| Excess amount arising from mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets based on temporary differences | - | - |
| Other items to be defined by the BRSA | - | - |
| Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals | - | - |
| **Total Regulatory Adjustments to Tier 1 Capital** | **78.466** | **292.357** |
| **Core Equity Tier I Capital** | **5.171.309** | **4.144.042** |
| **ADDITIONAL TIER I CAPITAL** | | |
| Preferred stock not ıncluded 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) | - | - |
| **Additional Tier I Capital before Deductions** | - | - |
| **Deductions from Additional Tier I Capital** | | |
| 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 | - | - |
| **Items to be Deducted from Tier I Capital during the Transition Period** | | |
| 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 (-) | - | - |
| **Total Deductions From Additional Tier I Capital** | - | - |
| **Total Additional Tier I Capital** | - | - |
| **Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)** | **5.171.309** | **4.144.042** |
| **TIER II CAPITAL** | | |
| Debt instruments and the related issuance premiums defined by the BRSA | 1.774.800 | 1.540.500 |
| Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4) | - | - |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 504.412 | 361.452 |
| Shares of Third Parties in Tier II Capital | - | - |
| Shares of Third Parties in Tier II Capital (Temporary Article 3) | - | - |
| **Tier II Capital Before Deductions** | **2.279.212** | **1.901.952** |
| **Deductions From Tier II Capital** | | |
| 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. | - | - |

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

## SECTION FOUR (Continued)

## INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### I. Explanations related to consolidated shareholders' equity (continued)

| | | |
|---|---|---|
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-) | - | - |
| Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital | - | - |
| Other items to be defined by the BRSA (-) | - | - |
| **Total Deductions from Tier II Capital** | - | - |
| **Total Tier II Capital** | **2.279.212** | **1.901.952** |
| **Total Capital (The sum of Tier I Capital and Tier II Capital)** | **7.450.521** | **6.045.994** |
| **Deductions from Total Capital** | | |
| 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 | - | - |
| **Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period** | - | - |
| 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 | - | - |
| **CAPITAL** | | |
| Total Capital (Total of Tier I Capital and Tier II Capital) | 7.450.521 | 6.045.994 |
| Total Risk Weighted Assets | 42.842.113 | 37.814.453 |
| **CAPITAL ADEQUACY RATIOS** | - | - |
| Consolidated Core Capital Adequacy Ratio (%) | 12,07 | 10,96 |
| Consolidated Tier I Capital Adequacy Ratio (%) | 12,07 | 10,96 |
| Consolidated Capital Adequacy Ratio (%) | 17,39 | 15,99 |
| **BUFFERS** | - | - |
| Total buffer requirement (%) | 2,510 | 1,883 |
| Capital conservation buffer requirement (%) | 2,500 | 1,875 |
| Bank specific counter-cyclical buffer requirement (%) | 0,010 | 0,008 |
| Systematic significant buffer (%) | - | - |
| The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets | 6,07 | 4,96 |
| **Amounts below the Excess Limits as per the Deduction Principles** | | |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital | - | - |
| Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital | 491.777 | 413.659 |
| Remaining mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets from temporary differences | - | - |

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### I. Explanations related to consolidated shareholders' equity (continued)

| **Limits Related to Provisions Considered in Tier II Calculation** | | |
|---|---|---|
| General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation) | 554.358 | 361.452 |
| Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 504.412 | 361.452 |
| Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| **Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)** | | |
| Upper limit for Additional Tier I Capital subjected to temprorary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4 | - | - |
| Upper limit for Additional Tier II Capital subjected to temprorary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary 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.

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

## SECTION FOUR (Continued)

## INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### I. Explanations related to consolidated shareholders' equity (continued)

### 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 |
| **Regulatory treatment** | |
| 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 |
| **Interest and Dividen Payments** | |
| Fixed or floating dividend/coupon | Fixed / semiannualy 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 |
| **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. |

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

***Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types***

| | **Current Period** | | **Prior Period** | |
|---|---|---|---|---|
| | **Risk Amount (1)** | **Average Risk Amount(2)** | **Risk Amount (1)** | **Average Risk Amount(2)** |
| Exposures to sovereigns and their central banks | 7.542.220 | 6.970.101 | 6.245.307 | 6.036.196 |
| Exposures to regional and local governments | 3.000 | 3.000 | 3.000 | 3.000 |
| Exposures to administrative bodies and noncommercial entities | 5.988 | 31.219 | 11.946 | 4.126 |
| Exposures to multilateral development banks | - | - | - | - |
| Exposures to international organizations | - | - | - | - |
| Exposures to banks and securities firms | 3.395.950 | 4.796.142 | 3.824.818 | 3.612.202 |
| Exposures to corporates | 55.099.741 | 52.164.134 | 47.310.220 | 42.081.652 |
| Retail exposures | - | - | - | - |
| Exposures secured by property | 1.654.869 | 1.516.447 | 1.395.232 | 1.240.266 |
| Past due receivables | 749.429 | 555.963 | 427.721 | 237.052 |
| Exposures in higher-risk categories | 626.348 | 357.746 | 106.668 | 52.661 |
| Exposures in the form of bonds secured by | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short term exposures to banks, brokerage houses and corporates | - | - | - | - |
| Equity investments in the form of collective investment undertakings | - | - | - | - |
| Equity investments | 654.308 | 571.021 | 498.767 | 448.606 |
| Other exposures | 1.012.475 | 1.232.226 | 931.678 | 1.361.423 |

*(1) Includes total risk amounts before the effect of credit risk mitigation.*
*(2) 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.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

The first 100 and 200 largest cash loans constitute 72,86% and 91,90% of the total cash loans portfolio of the Group respectively (31 December 2018: 70,90% and 89,03%).

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Group respectively (31 December 2018: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 72,29% and 91,31% of the total on and off balance sheet accounts of the Group respectively (31 December 2018: 70,30% and 88,82%).

The Group calculated the expected credit loss provision amounting to TL 557.848 in accordance with TFRS 9 impairment model (31 December 2018: TL 364.231).

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to the Parent Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Parent Bank's internal ratings.

Information of credit amounts rated by internal rating model is given table below for the current period.

| Loan Quality Categories | Current Period | Prior Period |
|---|---|---|
| Above Average Grade | 9.281.586 | 8.454.861 |
| Average Grade | 20.299.648 | 19.216.471 |
| Below Average Grade | 5.408.531 | 3.132.445 |
| Impaired (1) | 1.109.953 | 600.174 |
| **Total** | **36.099.718** | **31.403.951** |

*(1) Loans belong to the financial subsidiaries subject to line-by-line consolidation method are considered as unrated. Impaired loans are presented in the table above.*

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 36.456.303 (31 December 2018 :TL 31.533.715) and TL 356.585 (31 December 2018: TL 129.764) of these customers have not been rated.

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

| | Current Period (1) | | | | Prior Period | | | |
|---|---|---|---|---|---|---|---|---|
| | 31- 60 Days | 61- 90 Days | Other | Total | 31- 60 Days | 61- 90 Days | Other | Total |
| Corporate Loans | 1.255 | - | - | 1.255 | 10.631 | - | - | 10.631 |
| SME Loans | 731 | - | - | 731 | - | 202 | - | 202 |
| Consumer Loans | - | - | - | - | - | - | - | - |
| **Total** | **1.986** | **-** | **-** | **1.986** | **10.631** | **202** | **-** | **10.833** |

*(1) Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 27.724.*

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

# 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 (1)* | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current Period** | 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) | - | - | - | - | - | 249.122 | - | - | - | - | - | - | - | - | 53.806 | 96.782 | 399.710 |
| OECD Countries (2) | - | - | - | - | - | 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 (3) | - | - | - | - | - | - | 1.460 | - | - | - | - | - | - | - | - | 52.416 | 53.876 |
| **Total** | **7.516.926** | **3.000** | **1.198** | **-** | **-** | **2.356.653** | **31.692.421** | **-** | **1.651.791** | **749.429** | **77.654** | **-** | **-** | **-** | **654.308** | **915.481** | **45.618.861** |

*(1) 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.*
*(2) Includes OECD countries other than EU countries, USA and Canada.*
*(3) Includes asset and liability items that cannot be allocated on a consistent basis.*

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

## 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)

| | ***Risk Types (1)*** | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Prior Period** | 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 | 6.283.170 | 600 | 2.389 | - | - | 2.301.918 | 27.935.798 | - | 1.388.579 | 427.721 | 1.114 | - | - | - | 52.251 | 570.328 | 38.963.868 |
| European Union (EU) | - | - | - | - | - | 516.755 | - | - | - | - | - | - | - | - | 41.778 | 97.405 | 655.938 |
| OECD Countries (2) | - | - | - | - | - | 3.229 | - | - | - | - | - | - | - | - | - | - | 3.229 |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | - | - | - | 100.763 | - | - | - | - | - | - | - | - | - | - | 100.763 |
| Other Countries | - | - | - | - | - | - | 109.969 | - | - | - | - | - | - | - | - | - | 109.969 |
| Associates, Subsidiaries and Joint-Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 404.738 | - | 404.738 |
| Unallocated Assets/ Liabilities (3) | - | - | - | - | - | - | 1.283 | - | - | - | - | - | - | - | - | 47.585 | 48.868 |
| **Total** | **6.283.170** | **600** | **2.389** | **-** | **-** | **2.922.665** | **28.047.050** | **-** | **1.388.579** | **427.721** | **1.114** | **-** | **-** | **-** | **498.767** | **715.318** | **40.287.373** |

*(1) 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.*
*(2) Includes OECD countries other than EU countries, USA and Canada.*
*(3) Includes asset and liability items that cannot be allocated on a consistent basis.*

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

## 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***

| | **Risk Types (1)** | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current Period** | 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 | TL | FC | Total |
| 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 |
| **Total** | **7.516.926** | **3.000** | **1.198** | **-** | **-** | **2.356.653** | **31.692.421** | **-** | **1.651.791** | **749.429** | **77.654** | **-** | **-** | **-** | **654.308** | **915.481** | **9.883.376** | **35.735.485** | **45.618.861** |

*(1) 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.*

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

## 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)

| | Risk Types (1) | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Prior Period** | 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 | TL | FC | Total |
| Agriculture | - | - | - | - | - | - | 77.627 | - | - | - | - | - | - | - | - | 340 | 33.050 | 44.917 | 77.967 |
| Farming and Stockbreeding | - | - | - | - | - | - | 77.627 | - | - | - | - | - | - | - | - | - | 32.710 | 44.917 | 77.627 |
| Forestry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 340 | 340 | - | 340 |
| Fishery | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Manufacturing | - | - | - | - | - | - | 18.424.244 | - | 390.215 | 417.732 | 1.114 | - | - | - | - | - | 1.024.780 | 18.208.525 | 19.233.305 |
| Mining and Quarrying | - | - | - | - | - | - | 574.527 | - | 16.880 | - | - | - | - | - | - | - | 12.155 | 579.252 | 591.407 |
| Production | - | - | - | - | - | - | 5.447.388 | - | 223.227 | - | - | - | - | - | - | - | 783.423 | 4.887.192 | 5.670.615 |
| Electricity, Gas and Water | - | - | - | - | - | - | 12.402.329 | - | 150.108 | 417.732 | 1.114 | - | - | - | - | - | 229.202 | 12.742.081 | 12.971.283 |
| Construction | - | - | - | - | - | - | 1.113.505 | - | 215.620 | 1.742 | - | - | - | - | - | - | 207.493 | 1.123.374 | 1.330.867 |
| Services | 743.202 | - | 2.324 | - | - | 2.922.665 | 7.970.253 | - | 767.165 | 8.247 | - | - | - | - | 498.767 | 178.019 | 2.385.996 | 10.704.646 | 13.090.642 |
| Wholesale and Retail Trade | - | - | - | - | - | - | 562.168 | - | 6.598 | - | - | - | - | - | 160 | 365 | 8.405 | 560.886 | 569.291 |
| Accommodation and Dining | - | - | - | - | - | - | 561.736 | - | 653.028 | - | - | - | - | - | 1.750 | - | 109.144 | 1.107.370 | 1.216.514 |
| Transportation and Telecommunication | - | - | - | - | - | - | 1.959.934 | - | - | - | - | - | - | - | 1.056 | - | 1.628 | 1.959.362 | 1.960.990 |
| Financial Institutions | 743.202 | - | 2.324 | - | - | 2.922.665 | 2.333.426 | - | - | - | - | - | - | - | 491.191 | 177.644 | 1.811.962 | 4.858.490 | 6.670.452 |
| Real Estate and Rental Services | - | - | - | - | - | - | 377.052 | - | 57.961 | 8.247 | - | - | - | - | - | - | 8.247 | 435.013 | 443.260 |
| Professional Services | - | - | - | - | - | - | 1.089.457 | - | - | - | - | - | - | - | 4.610 | 10 | 427.304 | 666.773 | 1.094.077 |
| Educational Services | - | - | - | - | - | - | 133.827 | - | 23.010 | - | - | - | - | - | - | - | 877 | 155.960 | 156.837 |
| Health and Social Services | - | - | - | - | - | - | 952.653 | - | 26.568 | - | - | - | - | - | - | - | 18.429 | 960.792 | 979.221 |
| Others | 5.539.968 | 600 | 65 | - | - | - | 461.421 | - | 15.579 | - | - | - | - | - | - | 536.959 | 4.476.456 | 2.078.136 | 6.554.592 |
| **Total** | **6.283.170** | **600** | **2.389** | **-** | **-** | **2.922.665** | **28.047.050** | **-** | **1.388.579** | **427.721** | **1.114** | **-** | **-** | **-** | **498.767** | **715.318** | **8.127.775** | **32.159.598** | **40.287.373** |

*(1) 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.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

**Analysis of maturity-bearing exposures according to remaining maturities**

| **Risk Types** | **Term to Maturity** | | | | |
|---|---|---|---|---|---|
| **Current Period (1)** | **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 | 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 |
| **Total** | **4.110.800** | **1.705.630** | **2.006.099** | **2.541.598** | **31.767.131** |

*(1) Includes risk amounts after the effect of credit risk mitigation and the credit conversion.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

**Analysis of maturity-bearing exposures according to remaining maturities (continued)**

| **Risk Types** | **Term to Maturity** | | | | |
|---|---|---|---|---|---|
| **Prior Period (1)** | **1 month** | **1-3 months** | **3-6 months** | **6-12 months** | **Over 1 year** |
| Exposures to sovereigns and their central banks | 747.991 | 45.012 | 312.004 | 513.776 | 4.619.586 |
| Exposures to regional and local governments | | - | - | - | - |
| Exposures to administrative bodies and noncommercial entities | 2.324 | - | - | - | - |
| Exposures to multilateral development banks | - | - | - | - | - |
| Exposures to international organizations | - | - | - | - | - |
| Exposures to banks and securities firms | 1.726.232 | 261.034 | 44.950 | - | 803.585 |
| Exposures to corporates | 1.058.391 | 764.440 | 837.867 | 1.646.756 | 23.532.190 |
| Retail exposures | - | - | - | - | - |
| Exposures secured by property | 395 | - | 63.006 | 18.081 | 1.307.096 |
| Past due receivables | - | - | - | - | - |
| Exposures in higher-risk categories | - | - | - | - | 1.114 |
| Exposures in the form of bonds secured by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short term exposures to banks, brokerage houses and corporates | - | - | - | - | - |
| Equity investments in the form of collective investment undertakings | - | - | - | - | - |
| Equity investments | | - | - | - | - |
| Other exposures | 1.579 | - | - | 518 | 21.631 |
| **Total** | **3.536.912** | **1.070.486** | **1.257.827** | **2.179.131** | **30.285.202** |

*(1) Includes risk amounts after the effect of credit risk mitigation and the credit conversion.*

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

## 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:

| | | Risk Types | | | |
|---|---|---|---|---|---|
| | | | Claims on Banks and Capital Market Intermediary | | |
| **Credit Quality Grades** | **Fitch Ratings** | **Claims on Sovereigns** | **Claims with Original Maturities Less Than 3 Months** | **Claims with Original Maturities More Than 3 Months** | **Claims on Corporate Receivables** |
| 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 | | | | |
| | D | | | | |
| Unrated | Unrated | 100% | 20% (1) | 50% (1) | 100% |

*(*) Used in case when the risk weight of the sovereign of the Bank's country is not higher.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

***Exposures by risk weights***

| **Current Period** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Risk Weights** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **200%** | **250%** | **Deducted from Equity** |
| Exposures Before Credit Risk Mitigation (1) | 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 |

*(1)The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.*

| **Prior Period** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Risk Weights** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **200%** | **250%** | **Deducted from Equity** |
| Exposures Before Credit Risk Mitigation (1) | 4.467.367 | - | 1.132.570 | 721.429 | - | 33.690.867 | 2.565 | - | 413.659 | 40.034 |
| Exposures After Credit Risk Mitigation | 4.654.759 | - | 1.132.570 | 2.111.562 | - | 31.972.258 | 2.565 | - | 413.659 | 40.034 |

*(1) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.*

***Information of major sectors or type of counterparties***

The Parent Bank’s all impaired and non-performing receivables comprise of domestic receivables.

| **Current Period** | **Loans (1)** | | **Provisions** |
|---|---|---|---|
| **Major Sectors / Counterparties** | **Impaired** | | |
| | **Significant Increase in Credit Risk (Stage 2)** | **Defaulted (Stage 3)** | **Expected Credit Losses (TFRS 9)** |
| 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 |
| **Total** | **3.399.351** | **1.107.772** | **709.150** |

*(1) Includes breakdown of cash loans and financail lease receivables.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

***Information of major sectors or type of counterparties* (continued)**

| Current Period | Loans (1) | | Provisions |
|---|---|---|---|
| Major Sectors / Counterparties | Impaired | | |
| | Significant Increase in Credit Risk (Stage 2) | Defaulted (Stage 3) | Expected Credit Losses (TFRS 9) |
| Agriculture | - | - | - |
| Farming and Stockbreeding | - | - | - |
| Forestry | - | - | - |
| Fishery | - | - | - |
| Manufacturing | 1.541.322 | 563.077 | 261.213 |
| Mining and Quarrying | - | 195 | 195 |
| Production | 179.778 | 6.975 | 23.552 |
| Electricity, Gas and Water | 1.361.544 | 555.907 | 237.466 |
| Services | 940.633 | 25.302 | 97.452 |
| Wholesale and Retail Trade | - | 1.236 | 1.236 |
| Accommodation and Dining | 2.378 | 738 | 791 |
| Transportation and Telecommunication | 136.988 | 57 | 15.811 |
| Financial Institutions | - | 2.504 | 2.504 |
| Real Estate, Rental and Management Services | 801.267 | 20.618 | 76.961 |
| Professional Services | - | 149 | 149 |
| Educational Services | - | - | - |
| Health and Social Services | - | - | - |
| Others | 170.944 | 8.831 | 21.964 |
| **Total** | **2.652.899** | **597.210** | **380.629** |

*(1) Includes breakdown of cash loans.*

***Information related with value adjustments and loan loss provisions***

| Current Period | Opening balance | Provision for the period | Provision reversals | Other adjustments | Closing balance |
|---|---|---|---|---|---|
| Stage 3 Provisions | 169.489 | 198.069 | (9.215) | - | 358.343 |
| Stage 1-2 Provisions | 364.231 | 193.648 | 31 | - | 557.848 |

| Prior Period | Opening balance | Provision for the period | Provision reversals | Other adjustments | Closing balance |
|---|---|---|---|---|---|
| Stage 3 Provisions | 52.078 | 108.311 | (9.100) | - | 169.489 |
| Stage 1-2 Provisions | 150.769 | 213.547 | (85) | - | 364.231 |

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### II. Explanations related to consolidated credit risk (continued)

**Exposures Subject to Countercyclical Capital Buffer**

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

**Information about receivables from consolidated private sector:**

| Current Period<br>Country risk taken ultimately | Private Sector Loans in Banking Book | Risk Weighted Amount calculations for Trading Book | Total |
|---|---|---|---|
| United States | 39.819 | - | 39.819 |
| Georgia | 123.972 | - | 123.972 |
| England | 51.710 | - | 51.710 |
| Turkey | 37.527.324 | - | 37.527.324 |
| **Total** | **37.742.825** | **-** | **37.742.825** |

| Prior Period<br>Country risk taken ultimately | Private Sector Loans in Banking Book | Risk Weighted Amount calculations for Trading Book | Total |
|---|---|---|---|
| United States | 5.823 | - | 5.823 |
| Georgia | 109.969 | - | 109.969 |
| England | 62.733 | - | 62.733 |
| Turkey | 32.608.375 | - | 32.608.375 |
| **Total** | **32.786.900** | **-** | **32.786.900** |

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

## 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 |
|---|---|---|
| **The Parent Bank's "Foreign Exchange Valuation Rate"** | | |
| 31 December 2019 | 5,9160 | 6,6289 |
| **Prior Five Workdays:** | | |
| 30 December 2019 | 5,9150 | 6,6213 |
| 27 December 2019 | 5,9075 | 6,5697 |
| 26 December 2019 | 5,9100 | 6,5547 |
| 25 December 2019 | 5,9140 | 6,5560 |
| 24 December 2019 | 5,9100 | 6,5539 |

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 5,8183 and 6,4652 respectively.

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

## 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 |
|---|---|---|---|---|
| **Current Period** | | | | |
| **Assets** | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey | 326.415 | 477.113 | - | 803.528 |
| Banks | 164.909 | 71.655 | 8.155 | 244.719 |
| Financial Assets at Fair Value Through Profit and Loss (1) | 74.570 | 378.039 | 1.012 | 453.621 |
| Money Market Placements | - | - | - | - |
| Available-For-Sale Financial Assets | 61.199 | 1.915.940 | - | 1.977.139 |
| Loans (2) | 13.526.294 | 14.764.672 | - | 28.290.966 |
| Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) | - | - | - | - |
| Held-To-Maturity Investments | - | 299.266 | - | 299.266 |
| Derivative Financial Assets for Hedging Purposes | - | 67.884 | - | 67.884 |
| Tangible Assets | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other Assets (3) | 76.468 | 323.092 | - | 399.560 |
| **Total Assets** | **14.229.855** | **18.297.661** | **9.167** | **32.536.683** |
| **Liabilities** | | | | |
| Bank Deposits | - | - | - | - |
| Foreign Currency Deposits | - | - | - | - |
| Money Market Borrowings | 128.954 | 533.218 | - | 662.172 |
| Funds Provided From Other Financial Institutions | 12.069.597 | 13.923.090 | (1) | 25.992.686 |
| Marketable Securities Issued (4) | - | 7.853.495 | - | 7.853.495 |
| Miscellaneous Payables | 14.661 | 68.890 | 869 | 84.420 |
| Derivative Financial Liabilities for Hedging Purposes (5) | - | 16.545 | - | 16.545 |
| Other Liabilities (6) | 84.827 | 117.881 | 494 | 203.202 |
| **Total Liabilities** | **12.298.039** | **22.513.119** | **1.362** | **34.812.520** |
| **Net Balance Sheet Position** | **1.931.816** | **(4.215.458)** | **7.805** | **(2.275.837)** |
| **Net Off-Balance Sheet Position** | **(2.069.575)** | **4.460.081** | **(7.788)** | **2.382.718** |
| 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 (7) | 1.806.354 | 2.287.913 | 2.715 | 4.096.982 |
| **Prior Period** | | | | |
| Total Assets | 12.936.144 | 16.929.784 | 17.433 | 29.883.361 |
| Total Liabilities | 11.680.697 | 20.977.642 | 1.330 | 32.659.669 |
| **Net Balance Sheet Position** | **1.255.447** | **(4.047.858)** | **16.103** | **(2.776.308)** |
| **Net Off –Balance Sheet Position** | **(1.373.555)** | **3.956.152** | **(14.992)** | **2.567.605** |
| Financial Derivative Assets | 1.902.722 | 6.761.213 | 153.506 | 8.817.441 |
| Financial Derivative Liabilities | (3.276.277) | (2.805.061) | (168.498) | (6.249.836) |
| Non-Cash Loans (7) | 1.351.786 | 1.334.076 | - | 2.685.862 |

*(1) Exchange rate differences arising from derivative transactions amounting to TL 50.658 is deducted from "Financial Assets at Fair Value Through Profit and Loss".*

*(2) Loans include TL 1.550.351 foreign currency indexed loans, TL 128.874 financial lease receivables, TL 637.135 non-performing loans, and TL (154.436) credit-impaired losses (stage III / specific provision ).*

*(3) Prepaid expenses amounting to TL 1.628, 12 months expected credit loss for other assets amounting to TL (1.041) are not included other assets.*

*(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*

*(5) Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.*

*(6) Marketable securities value increase fund amounting to TL (3.356), exchange rate differences arising from derivative transactions amounting to TL 45.751, forward foreign exchange purchase transaction rediscounts amounting to TL 24, and other provisions amounting to TL 22.070 have not been included in "Other Liabilities".*

*(7) Has no effect on net off-balance sheet position.*

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

## 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 (1)** | | **Effect on Equity (2)** | |
|---|---|---|---|---|---|
| | % | Current Period | Prior Period | Current Period | Prior Period |
| US Dollar | 10 | 23.918 | (9.715) | 544 | 544 |
| Euro | 10 | (13.807) | (11.842) | 31 | 31 |
| Other | 10 | 2 | 111 | - | - |

| | **Decrease in Currency Rate** | **Effect on Profit / Loss (1)** | | **Effect on Equity (2)** | |
|---|---|---|---|---|---|
| | % | Current Period | Prior Period | Current Period | Prior Period |
| US Dollar | 10 | (23.918) | 9.715 | (544) | (544) |
| Euro | 10 | 13.807 | 11.842 | (31) | (31) |
| Other | 10 | (2) | (111) | - | - |

*(1) Values expressed are before the tax effect.*
*(2) 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.

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

## 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 (1) | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2) | 803.582 | - | - | - | - | 30 | 803.612 |
| Banks (2) | 105.873 | 106.217 | - | - | - | 45.218 | 257.308 |
| Financial Assets at Fair Value Through Profit and Loss (3) | 187.104 | 401.575 | 320.280 | 156.641 | 168.514 | 7.135 | 1.241.249 |
| Money Market Placements (2) | 252.767 | 273.232 | 252 | - | - | - | 526.251 |
| Financial Assets at Fair Value Through Other Comprehensive Income(2) | 159.716 | 436.915 | 1.147.301 | 1.646.055 | 679.717 | 116.569 | 4.186.273 |
| Loans (2) | 5.613.551 | 7.365.035 | 8.697.347 | 5.230.649 | 3.855.703 | - | 30.762.285 |
| Financial Assets Measured at Amortized Cost (2) | 338.296 | 994.092 | 950.535 | - | 298.876 | - | 2.581.799 |
| Other Assets (2) | - | - | - | 64.403 | - | 1.829.831 | 1.894.234 |
| **Total Assets** | **7.460.889** | **9.577.066** | **11.115.715** | **7.097.748** | **5.002.810** | **1.998.783** | **42.253.011** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - |
| Other Deposits | - | - | - | - | - | - | - |
| Money Market Borrowings | 1.197.709 | - | - | - | - | (342) | 1.197.367 |
| Miscellaneous Payables | - | - | - | - | - | 128.262 | 128.262 |
| Marketable Securities Issued (4) | - | 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 |
| **Total Liabilities** | **5.220.376** | **6.542.575** | **11.705.416** | **8.505.341** | **4.341.632** | **5.937.671** | **42.253.011** |
| | | | | | | | |
| **Balance Sheet Long Position** | **2.240.513** | **3.034.491** | **-** | **-** | **661.178** | **-** | **5.936.182** |
| **Balance Sheet Short Position** | **-** | **-** | **(589.701)** | **(1.407.593)** | **-** | **(3.938.888)** | **(5.936.182)** |
| 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) |
| **Total Position** | **1.055.561** | **1.716.602** | **(2.362.889)** | **2.627.990** | **1.334.540** | **(3.938.888)** | **432.916** |

*(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellenous 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.*
*(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.*
*(3) Derivative financial assets and Loans measured at fair value through profit or loss.*
*(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*

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

## 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 (1)** | **Total** |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2) | 423.408 | - | - | - | - | 319.577 | 742.985 |
| Banks(2) | 659.844 | 90.342 | - | - | - | 56.811 | 806.997 |
| Financial Assets at Fair Value Through Profit and Loss (3) | 284.565 | 438.541 | 503.145 | 52.037 | - | 1.452 | 1.279.740 |
| Money Market Placements(2) | 358.064 | 170.576 | 44.950 | - | - | - | 573.590 |
| Financial Assets at Fair Value Through Other Comprehensive Income(2) | 131.914 | 92.670 | 1.341.530 | 1.538.414 | 221.517 | 94.025 | 3.420.070 |
| Loans(2) | 5.553.655 | 6.842.331 | 8.791.312 | 5.423.543 | 942.241 | - | 27.553.082 |
| Financial Assets Measured at Amortized Cost (2) | 311.618 | 904.733 | 672.132 | - | 264.830 | - | 2.153.313 |
| Other Assets(2) | - | - | - | - | - | 1.739.663 | 1.739.663 |
| **Total Assets** | **7.723.068** | **8.539.193** | **11.353.069** | **7.013.994** | **1.428.588** | **2.211.528** | **38.269.440** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - |
| Other Deposits | - | - | - | - | - | - | - |
| Money Market Borrowings | 402.184 | 94 | - | - | - | - | 402.278 |
| Miscellaneous Payables | - | - | - | - | - | 65.568 | 65.568 |
| Marketable Securities Issued (4) | - | - | 1.797.030 | 6.701.933 | - | - | 8.498.963 |
| Funds Provided from Other Financial Institutions | 4.365.770 | 8.445.071 | 4.753.669 | 3.985.813 | 2.269.347 | - | 23.819.670 |
| Other Liabilities | 232.024 | 262.990 | 284.877 | 45.164 | - | 4.657.906 | 5.482.961 |
| **Total Liabilities** | **4.999.978** | **8.708.155** | **6.835.576** | **10.732.910** | **2.269.347** | **4.723.474** | **38.269.440** |
| | | | | | | | |
| **Balance Sheet Long Position** | **2.723.090** | **-** | **4.517.493** | **-** | **-** | **-** | **7.240.583** |
| **Balance Sheet Short Position** | **-** | **(168.962)** | **-** | **(3.718.916)** | **(840.759)** | **(2.511.946)** | **(7.240.583)** |
| Off-Balance Sheet Long Position | 2.024 | 2.235 | - | 6.677.488 | 541.315 | - | 7.223.062 |
| Off-Balance Sheet Short Position | (1.718.241) | (1.897.660) | (3.335.297) | - | - | - | (6.951.198) |
| **Total Position** | **1.006.873** | **(2.064.387)** | **1.182.196** | **2.958.572** | **(299.444)** | **(2.511.946)** | **271.864** |

*(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellenous 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.*
*(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.*
*(3) Derivative financial assets and Loans measured at fair value through profit or loss.*
*(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### IV. Explanations related to consolidated interest rate risk (continued)

*Average interest rates applied to monetary financial instruments: %*

| | Euro | US Dollar | Yen | TL |
|---|---|---|---|---|
| **Current Period** | | | | |
| **Assets** | | | | |
| 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(2) | - | 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 |
| **Liabilities** | | | | |
| Bank Deposits | - | - | - | - |
| Other Deposits | - | - | - | - |
| Money Market Borrowings | 0,12 | 2,24 | - | 10,96 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued (1) | - | 5,71 | - | 13,10 |
| Borrower Funds | 0,10 | 1,25 | - | 7,50 |
| Funds Provided From Other Financial Institutions | 1,11 | 2,88 | - | 10,79 |

*(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*
*(2) Includes Loans at Fair value through profit or loss.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### IV. Explanations related to consolidated interest rate risk (continued)

***Average interest rates applied to monetary financial instruments in prior period: %***

| | Euro | US Dollar | Yen | TL |
|---|---|---|---|---|
| **Prior Period** | | | | |
| **Assets** | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | - | 2,10 | - | 11,35 |
| Banks | 2,90 | 2,30 | - | 22,92 |
| Financial Assets at Fair Value Through Profit and Loss (2) | - | 10,05 | - | 27,62 |
| Money Market Placements | - | - | - | 24,59 |
| Available-for-Sale Financial Assets | 5,62 | 4,32 | - | 16,94 |
| Loans | 4,49 | 7,46 | - | 19,10 |
| Financial Assets Measured at Amortized Cost | - | 6,77 | - | 16,76 |
| **Liabilities** | | | | |
| Bank Deposits | - | - | - | - |
| Other Deposits | - | - | - | - |
| Money Market Borrowings | 0,75 | 1,50 | - | 22,59 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued(1) | - | 5,71 | - | - |
| Borrower Funds | 0,75 | 1,50 | - | 15,00 |
| Funds Provided From Other Financial Institutions | 1,07 | 3,29 | - | 10,30 |

*(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*
*(2) Includes Loans at Fair value through profit or loss.*

### V. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

***Equity shares risk due from banking book***

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

| Current Period | Comparison | | |
|---|---|---|---|
| **Share Certificate Investments** | **Book Value** | **Fair Value** | **Market Value** |
| **Investment in Shares-Grade A** | **416.906** | **-** | **889.837** |
| Quoted | 416.906 | - | 889.837 |

| Prior Period | Comparison | | |
|---|---|---|---|
| **Share Certificate Investments** | **Book Value** | **Fair Value** | **Market Value** |
| **Investment in Shares-Grade A** | **373.145** | **-** | **980.592** |
| Quoted | 373.145 | - | 980.592 |

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

## 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** | | |
|---|---|---|---|---|---|---|
| **Portfolio** | | **Total** | **Included in Core Capital** | **Total** | **Included in Core Capital** | **Included in Supplementary Capital** |
| Private Equity Investments | - | 38.832 | 38.832 | - | - | - |
| Share Certificates Quoted on a Stock Exchange | - | - | - | - | - | - |
| Other Share Certificates | - | - | - | - | - | - |
| **Total** | **-** | **38.832** | **38.832** | **-** | **-** | **-** |

| **Prior Period** | **Realized Revenues and Losses in Period** | **Revaluation Value Increases** | | **Unrealized Gains and Losses** | | |
|---|---|---|---|---|---|---|
| **Portfolio** | | **Total** | **Included in Core Capital** | **Total** | **Included in Core Capital** | **Included in Supplementary Capital** |
| Private Equity Investments | - | - | - | - | - | - |
| Share Certificates Quoted on a Stock Exchange | - | (456) | (456) | - | - | - |
| Other Share Certificates | - | 40.468 | 40.468 | - | - | - |
| **Total** | **-** | **40.012** | **40.012** | **-** | **-** | **-** |

## 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 it's 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. Additionnally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

**1.b Information on the centralization degree of consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries**

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

**1.c Information on the Parent Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Parent Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.

**1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities:**

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VI. Consolidated liquidity risk management and coverage ratio (continued)

### 1. Explanations related to the consolidated liquidity risk (continued)

#### 1.d Information on consolidated liquidity risk mitigation techniques:

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article C. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

#### 1.e Information on the use of stress tests

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

#### 1.f General information on urgent and unexpected consolidated liquidity situation plans:

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Parent Bank's Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios**,** cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting it's liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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

## 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.

| | | Rate of "Percentage to be taken into account" not Implemented Total value | | Rate of "Percentage to be taken into account" Implemented Total value | |
|---|---|---|---|---|---|
| | **Current Period** | **TL+FC** | **FC** | **TL+FC** | **FC** |
| **HIGH QUALITY LIQUID ASSETS (HQLA)** | | | | | |
| 1 | High quality liquid assets | | | 3.898.392 | 1.730.885 |
| **CASH OUTFLOWS** | | | | | |
| 2 | Retail and Customers Deposits | 32 | 5 | 3 | 1 |
| 3 | Stable deposits | - | - | - | - |
| 4 | Less stable deposits | 32 | 5 | 3 | 1 |
| 5 | Unsecured Funding other than Retail and Small Business Customers Deposits | 2.849.085 | 2.182.738 | 2.451.920 | 1.795.976 |
| 6 | Operational deposits | 97.764 | 84.500 | 24.441 | 21.125 |
| 7 | Non-Operational Deposits | - | - | - | - |
| 8 | Other Unsecured Funding | 2.751.321 | 2.098.238 | 2.427.479 | 1.774.851 |
| 9 | Secured funding | | | - | - |
| 10 | Other Cash Outflows | 938.988 | 1.482.988 | 938.988 | 1.482.988 |
| 11 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 761.155 | 1.305.155 | 761.155 | 1.305.155 |
| 12 | Debts related to the structured financial products | - | - | - | - |
| 13 | Commitment related to debts to financial markets and other off balance sheet liabilities | 177.833 | 177.833 | 177.833 | 177.833 |
| 14 | Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 20.396.531 | 16.430.772 | 1.019.827 | 821.539 |
| 15 | Other irrevocable or conditionally revocable commitments | 8.485.985 | 6.800.318 | 1.194.592 | 751.330 |
| 16 | **TOTAL CASH OUTFLOWS** | | | **5.605.330** | **4.851.834** |
| **CASH INFLOWS** | | | | | |
| 17 | Secured Lending Transactions | 122.181 | - | - | - |
| 18 | Unsecured Lending Transactions | 3.195.805 | 1.977.707 | 2.419.361 | 1.449.493 |
| 19 | Other contractual cash inflows | 88.241 | 1.339.028 | 88.241 | 1.339.028 |
| 20 | **TOTAL CASH INFLOWS** | **3.406.227** | **3.316.735** | **2.507.602** | **2.788.521** |
| | | | | **Upper Limit Applied Amounts** | |
| 21 | **TOTAL HQLA STOCK** | | | **3.898.392** | **1.730.885** |
| 22 | **TOTAL NET CASH OUTFLOWS** | | | **3.097.728** | **2.063.313** |
| 23 | **Liquidity Coverage Ratio (%)** | | | **126** | **84** |

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

## 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):

| | | Rate of "Percentage to be taken into account" not Implemented Total value | | Rate of "Percentage to be taken into account" Implemented Total value | |
|---|---|---|---|---|---|
| **Prior Period** | | **TL+FC** | **FC** | **TL+FC** | **FC** |
| **HIGH QUALITY LIQUID ASSETS (HQLA)** | | | | | |
| 1 | High quality liquid assets | | | 3.725.887 | 1.235.099 |
| **CASH OUTFLOWS** | | | | | |
| 2 | Retail and Customers Deposits | 37 | 8 | 4 | 1 |
| 3 | Stable deposits | - | - | - | - |
| 4 | Less stable deposits | 37 | 8 | 4 | 1 |
| 5 | Unsecured Funding other than Retail and Small Business Customers Deposits | 1.519.701 | 758.594 | 1.318.314 | 564.669 |
| 6 | Operational deposits | 49.366 | 39.616 | 12.341 | 9.904 |
| 7 | Non-Operational Deposits | - | - | - | - |
| 8 | Other Unsecured Funding | 1.470.335 | 718.978 | 1.305.973 | 554.765 |
| 9 | Secured funding | | | - | - |
| 10 | Other Cash Outflows | 953.824 | 1.268.703 | 953.824 | 1.268.703 |
| 11 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 790.111 | 1.104.990 | 790.111 | 1.104.990 |
| 12 | Debts related to the structured financial products | - | - | - | - |
| 13 | Commitment related to debts to financial markets and other off balance sheet liabilities | 163.713 | 163.713 | 163.713 | 163.713 |
| 14 | Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 16.329.005 | 13.187.181 | 816.450 | 659.359 |
| 15 | Other irrevocable or conditionally revocable commitments | 7.625.905 | 5.868.830 | 1.152.249 | 667.446 |
| 16 | **TOTAL CASH OUTFLOWS** | | | **4.240.841** | **3.160.178** |
| **CASH INFLOWS** | | | | | |
| 17 | Secured Lending Transactions | 491 | - | - | - |
| 18 | Unsecured Lending Transactions | 3.441.545 | 1.736.736 | 2.742.901 | 1.268.912 |
| 19 | Other contractual cash inflows | 78.475 | 1.560.514 | 78.475 | 1.560.514 |
| 20 | **TOTAL CASH INFLOWS** | **3.520.511** | **3.297.250** | **2.821.376** | **2.829.426** |
| | | | | **Upper Limit Applied Amounts** | |
| 21 | **TOTAL HQLA STOCK** | | | **3.725.887** | **1.235.099** |
| 22 | **TOTAL NET CASH OUTFLOWS** | | | **1.419.465** | **790.045** |
| 23 | **Liquidity Coverage Ratio (%)** | | | **262** | **156** |

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VI. Consolidated liquidity risk management and coverage ratio (continued)

### 3. Minimum explanations related to the liquidity coverage ratio by Banks:

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows.For total and foreign currency limits 100% and minimum 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 26%. 7% of the Parent Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

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

## 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 (1) | Total |
|---|---|---|---|---|---|---|---|---|
| **Current Period** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2) | 30 | 803.582 | - | - | - | - | - | 803.612 |
| Banks(2) | 45.218 | 105.873 | 106.217 | - | - | - | - | 257.308 |
| Financial Assets at Fair Value Through Profit and Loss (3) | 7.135 | 326.556 | 477.909 | 425.539 | 30.083 | - | - | 1.267.222 |
| Money Market Placements(2) | - | 252.767 | 273.232 | 252 | - | - | - | 526.251 |
| Financial Assets at Fair Value Through Other Comprehensive Income (2) | - | 70.377 | 363.104 | 574.908 | 2.314.896 | 746.419 | 116.569 | 4.186.273 |
| Loans(2) | - | 2.899.600 | 1.888.609 | 4.985.933 | 14.274.928 | 5.951.066 | 736.176 | 30.736.312 |
| Financial Assets Measured at Amortized Cost (2) | - | - | - | - | 2.218.427 | 363.372 | - | 2.581.799 |
| Other Assets(2) | - | - | 5.975 | 80.941 | 127.752 | - | 1.679.566 | 1.894.234 |
| **Total Assets** | **52.383** | **4.458.755** | **3.115.046** | **6.067.573** | **18.966.086** | **7.060.857** | **2.532.311** | **42.253.011** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - | - |
| Other Deposits | - | - | - | - | - | - | - | - |
| Funds Provided from Other Financial Institutions | - | 931.629 | 520.378 | 3.904.466 | 11.173.544 | 10.098.308 | - | 26.628.325 |
| Money Market Borrowings | (342) | 1.197.709 | - | - | - | - | - | 1.197.367 |
| Marketable Securities Issued (4) | - | 99.070 | 169.882 | 2.105.085 | 5.733.376 | - | - | 8.107.413 |
| Miscellaneous Payables | - | - | - | - | - | - | 128.262 | 128.262 |
| Other Liabilities | - | 130.310 | 222.183 | 127.051 | 47.605 | - | 5.664.495 | 6.191.644 |
| **Total Liabilities** | **(342)** | **2.358.718** | **912.443** | **6.136.602** | **16.954.525** | **10.098.308** | **5.792.757** | **42.253.011** |
| **Liquidity Gap** | **52.725** | **2.100.037** | **2.202.603** | **(69.029)** | **2.011.561** | **(3.037.451)** | **(3.260.446)** | **-** |
| 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 |
| | | | | | | | | |
| **Prior Period** | | | | | | | | |
| Total Assets | 390.278 | 3.118.321 | 1.721.716 | 5.886.584 | 18.471.119 | 6.860.172 | 1.821.250 | 38.269.440 |
| Total Liabilities | - | 759.779 | 431.426 | 5.089.321 | 17.704.897 | 9.560.543 | 4.723.474 | 38.269.440 |
| **Liquidity Gap** | **390.278** | **2.358.542** | **1.290.290** | **797.263** | **766.222** | **(2.700.371)** | **(2.902.224)** | **-** |
| **Net Off-balance sheet Position** | **-** | **(47.884)** | **(7.756)** | **23.591** | **286.659** | **15.232** | **-** | **269.842** |
| Financial Derivative Assets | - | 3.662.503 | 2.206.118 | 4.378.824 | 12.035.187 | 7.121.613 | - | 29.404.245 |
| Financial Derivative Liabilities | - | 3.710.387 | 2.213.874 | 4.355.233 | 11.748.528 | 7.106.381 | - | 29.134.403 |
| Non-cash Loans | - | 117.206 | 149.450 | 1.331.212 | 249.706 | 840.965 | 485.268 | 3.173.807 |

*(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellenous 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.*
*(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.*
*(3) Derivative financial assets and Loans measured at fair value through profit or loss.*
*(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VI. Consolidated liquidity risk management and coverage ratio (continued)

***Analysis of financial liabilities by remaining contractual maturities***

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

| Current Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Adjustments | Total |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| 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 |
| **Total** | **2.255.937** | **732.611** | **6.623.222** | **18.847.539** | **11.451.777** | **(3.914.100)** | **35.996.968** |

| Prior Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Adjustments | Total |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Funds Provided from Other Financial Institutions | 250.750 | 473.529 | 3.564.137 | 11.932.773 | 10.745.190 | (3.146.709) | 23.819.670 |
| Money Market Borrowings | 402.220 | 97 | - | - | - | (39) | 402.278 |
| Marketable Securities Issued | 49.424 | 58.732 | 2.169.217 | 7.473.832 | - | (1.252.242) | 8.498.963 |
| Funds | 32.529 | - | - | - | - | - | 32.529 |
| **Total** | **734.923** | **532.358** | **5.733.354** | **19.406.605** | **10.745.190** | **(4.398.990)** | **32.753.440** |

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

| Current Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Swap Contracts | 5.305.067 | 3.207.161 | 8.293.852 | 24.774.091 | 7.485.280 | 49.065.451 |
| Forward Contracts | 727.240 | 552.169 | 3.455.183 | 653.118 | - | 5.387.710 |
| Futures Transactions | - | - | - | - | - | - |
| Options | 813.030 | 492.912 | 428.278 | 41.580 | - | 1.775.800 |
| Other | | | | | - | - |
| **Total** | **6.845.337** | **4.252.242** | **12.177.313** | **25.468.789** | **7.485.280** | **56.228.961** |

| Prior Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Swap Contracts | 5.553.084 | 3.255.128 | 6.765.757 | 26.785.018 | 7.096.803 | 49.455.790 |
| Forward Contracts | 1.313.247 | 727.695 | 785.000 | 975.007 | - | 3.800.949 |
| Futures Transactions | - | - | - | - | - | - |
| Options | 726.110 | 1.028.724 | 3.476.077 | 37.597 | - | 5.268.508 |
| Other | - | 13.401 | - | - | - | 13.401 |
| **Total** | **17.382.828** | **14.495.747** | **24.204.833** | **2.455.240** | **14.227.994** | **58.538.648** |

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VII. Explanations related to consolidated leverage ratio

#### a) Information about the consolidated leverage ratio between current and prior periods

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

As of 31 December 2019, leverage ratio of the Group calculated from the arithmetic average of the three months is 10,56% (31 December 2018: 8,57%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 2,26% compare to prior period.

#### b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS

| | | **Current Period** | **Prior Period** |
|---|---|---|---|
| 1 | Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (2) | 42.449.529 | 38.615.495 |
| 2 | The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (2) | 196.518 | 346.055 |
| 3 | The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1) | (408.001) | (535.603) |
| 4 | The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1) | 1.238.940 | 1.421.363 |
| 5 | The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1) | (2.804.361) | (2.294.016) |
| 6 | The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1) | - | - |
| **7** | **Total Exposures (1)** | **47.826.907** | **46.770.242** |

*(1) The arithmetic average of the last 3 months in the related periods.*
*(2) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks. 30 June 2019 figures used in this table for the current period due to consolidated financial statements prepared in accordance with TAS are not prepared as of the date of this report and 31 December 2018 figures used in this table for the prior period.*

#### c) Consolidated Leverage Ratio

| | | **Current Period(1)** | **Prior Period(1)** |
|---|---|---|---|
| | **Balance sheet Assets** | | |
| 1 | Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals) | 40.114.358 | 39.226.657 |
| 2 | (Assets deducted from Core capital) | (92.635) | (40.829) |
| 3 | Total risk amount of balance sheet assets (sum of lines 1 and 2) | **40.021.723** | **39.185.828** |
| | **Derivative financial assets and credit derivatives** | | |
| 4 | Cost of replenishment for derivative financial assets and credit derivatives | 980.946 | 1.071.953 |
| 5 | Potential credit risk amount of derivative financial assets and credit derivatives | 389.386 | 442.871 |
| 6 | Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5) | **1.370.332** | **1.514.824** |
| | **Financing transactions secured by marketable security or commodity** | | |
| 7 | Risk amount of financing transactions secured by marketable security or commodity | 572.591 | 474.260 |
| 8 | Risk amount arising from intermediary transactions | 129.806 | 114.299 |
| 9 | Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8) | **702.397** | **588.559** |
| | **Off-balance sheet transactions** | | |
| 10 | Gross notional amount of off-balance sheet transactions | 8.536.816 | 7.775.047 |
| 11 | (Correction amount due to multiplication with credit conversion rates) | (2.804.361) | (2.294.016) |
| 12 | Total risk of off-balance sheet transactions (sum of lines 10 and 11) | **5.732.455** | **5.481.031** |
| | **Capital and total risk** | | |
| 13 | Core Capital | 5.053.660 | 4.009.392 |
| 14 | Total risk amount (sum of lines 3, 6, 9 and 12) | 47.826.907 | 46.770.242 |
| | **Leverage ratio** | | |
| 15 | Leverage ratio | **10,57%** | **8,57%** |

*(1) The arithmetic average of the last three months in the related periods in accordance with BRSA Regulation.*

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VIII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

| | **Carrying Value** | **Fair Value** |
|---|---|---|
| | **Current Period** | **Current Period** |
| **Financial Assets** | **38.108.870** | **37.948.343** |
| 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 (1) | 30.540.222 | 30.413.355 |
| **Financial Liabilities** | **36.120.317** | **35.651.040** |
| Bank Deposits | - | - |
| Other Deposits | - | - |
| Funds Provided From Other Financial Institutions (3) | 27.884.642 | 27.884.642 |
| Marketable Securities Issued (2) | 8.107.413 | 7.638.136 |
| Miscellaneous Payables | 128.262 | 128.262 |

*(1) Loans include financial lease receivables.*
*(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*
*(3) Funds provided from other financial institutions include funds borrowed,borrower funds and money market borrowings.*

| | **Carrying Value** | **Fair Value** |
|---|---|---|
| | **Prior Period** | **Prior Period** |
| **Financial Assets** | **34.718.796** | **34.631.596** |
| Money Market Placements | 573.613 | 573.613 |
| Banks | 807.231 | 807.231 |
| Available-For-Sale Financial Assets | 3.420.313 | 3.420.313 |
| Held-To-Maturity Investments | 2.154.941 | 2.033.904 |
| Loans (1) | 27.762.698 | 27.796.535 |
| **Financial Liabilities** | **32.819.008** | **31.991.473** |
| Bank Deposits | - | - |
| Other Deposits | - | - |
| Funds Provided From Other Financial Institutions (3) | 24.254.477 | 24.254.477 |
| Marketable Securities Issued (2) | 8.498.963 | 7.671.428 |
| Miscellaneous Payables | 65.568 | 65.568 |

*(1) Loans include financial lease receivables.*
*(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*
*(3) Funds provided from other financial institutions include funds borrowed,borrower funds and money market borrowings.*

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

**i-** For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.

**ii-** For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.

**iii-** For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

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

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

**iv-** For the fair value calculation of marketable securities, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

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 |
|---|---|---|---|
| **Financial Assets** | | | |
| 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 (1) | - | 894.448 | - |
| Derivative Financial Assets for Hedging Purposes (1) | - | 67.884 | - |
| **Financial Liabilities** | | | |
| Derivative Financial Liabilities Held-for-trading (2) | - | 467.798 | - |
| Derivative Financial Liabilites for Hedging Purposes (2) | - | 16.545 | - |

*(1) 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.*

*(2) Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilites for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss"line in the balance sheet.*

| Current Period | Level I | Level II | Level III |
|---|---|---|---|
| **Financial Assets** | | | |
| Financial Assets at Fair Value Through Profit or Loss | 4.887 | - | 4.972 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 3.260.050 | 72.786 | 82.581 |
| Loans at Fair Value Through Profit or Loss | - | - | 290.660 |
| Derivative Financial Assets Held-for-trading (1) | - | 979.221 | - |
| Derivative Financial Assets for Hedging Purposes (1) | - | - | - |
| **Financial Liabilities** | | | |
| Derivative Financial Liabilities Held-for-trading (2) | - | 620.082 | - |
| Derivative Financial Liabilites for Hedging Purposes (2) | - | 172.258 | - |

*(1) 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.*

*(2) Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilites for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss"line in the balance sheet*

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

Real estates which are presented in the financial statements at fair value are classified at level 2; investment properties of companies included in consolidation are classified at level 2 and level 3.

### IX. Explanations related to transactions made on behalf of others and fiduciary transactions

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

### X. Explanations related to consolidated risk management

**Linkages between financial statements and risk amounts**

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

**Disclosures on the Risk management approach and risk-weighted amount**

Risk management approach of the Parent Bank allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

Risk management process is structured within the scope of related policies and practice principals that creates a risk culture throughout the company and has a framework which is coherent with international regulations in the manner of evaluation, analyzing, monitoring, and reporting operations. Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

(Amounts 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)

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

**Overview of risk weighted assets**

| | | Risk Weighted Amount | | Minimum Capital Requirement |
|---|---|---|---|---|
| | | **Current Period** | **Prior Period** | **Current Period** |
| 1 | Credit risk (excluding counterparty credit risk) | 37.712.816 | 33.258.400 | 3.017.025 |
| 2 | Standardised approach | 37.712.816 | 33.258.400 | 3.017.025 |
| 3 | Internal rating-based approach | - | - | - |
| 4 | Counterparty credit risk | 1.410.715 | 1.498.190 | 112.857 |
| 5 | Standardised approach for counterparty credit risk | 1.410.715 | 1.498.190 | 112.857 |
| 6 | Internal model method | - | - | - |
| 7 | Basic risk weight approach to internal models equity position in the banking account | - | - | - |
| 8 | Investments made in collective investment companies – look-through approach | - | - | - |
| 9 | Investments made in collective investment companies – mandate-based approach | - | - | - |
| 10 | Investments made in collective investment companies – 1250% weighted risk approach | - | - | - |
| 11 | Settlement risk | - | - | - |
| 12 | Securitization positions in banking accounts | - | - | - |
| 13 | IRB ratings-based approach | - | - | - |
| 14 | IRB supervisory formula approach | - | - | - |
| 15 | Simplified supervisory formula approach | - | - | - |
| 16 | Market risk | 459.363 | 501.850 | 36.749 |
| 17 | Standardised approach | 459.363 | 501.850 | 36.749 |
| 18 | Internal model approaches | - | - | - |
| 19 | Operational risk | 2.029.776 | 1.521.866 | 162.382 |
| 20 | Basic indicator approach | 2.029.776 | 1.521.866 | 162.382 |
| 21 | Standard approach | - | - | - |
| 22 | Advanced measurement approach | - | - | - |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | 1.229.443 | 1.034.147 | 98.355 |
| 24 | Floor adjustment | - | - | - |
| 25 | **Total (1+4+7+8+9+10+11+12+16+19+23+24)** | **42.842.113** | **37.814.453** | **3.427.368** |

(Amounts 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**

| Current Period<br>Assets | Carrying values in financial statements prepared as per TAS (1) | 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 | 927.005 | 803.612 | 804.041 | - | - | - | - |
| Banks | 1.030.326 | 257.308 | 257.692 | - | - | - | - |
| Money Market Placements | 1.127.319 | 526.251 | 525.628 | 658 | - | 658 | - |
| Financial Assets at Fair Value Through Profit or Loss | 327.270 | 278.918 | 263.097 | | - | 15.821 | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 3.689.318 | 4.186.273 | 4.186.273 | 2.073.648 | - | - | - |
| Financial Assets Measured at Amortized Cost | 2.254.801 | 2.581.799 | 2.585.160 | 431.344 | - | - | - |
| Derivative Financial Assets | 1.118.120 | 962.331 | - | 962.331 | - | 294.215 | - |
| Loans | 29.594.910 | 30.655.975 | 31.516.616 | - | - | - | - |
| Leasing Receivables | 123.244 | 106.310 | 128.874 | - | - | - | - |
| Factoring Receivables | - | - | - | - | - | - | - |
| Assets Held for Sale and Discontinued Operations | - | 64.403 | 64.403 | - | - | - | - |
| Associates (net) | 450.153 | 465.976 | 465.976 | - | - | - | - |
| Subsidiaries (net) | - | 5.109 | 5.109 | - | - | - | - |
| Joint-Ventures (net) | - | 2.250 | 2.250 | - | - | - | - |
| Tangible Assets (net) | 300.490 | 347.206 | 345.004 | - | - | - | 2.202 |
| Intangible Assets (net) | 3.956 | 5.074 | - | - | - | - | 5.074 |
| Investment Properties (net) | 247.999 | 273.918 | 273.918 | - | - | - | - |
| Tax Assets | 454 | 255 | 255 | - | - | - | - |
| Deffered Tax Assets | 31.259 | 39.930 | 39.930 | - | - | - | - |
| Other Assets | 702.163 | 690.113 | 648.976 | 42.567 | - | - | - |
| **Total Assets** | **41.928.787** | **42.253.011** | **42.113.202** | **3.510.548** | **-** | **310.694** | **7.276** |

*(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2018 are used.*
*(2) 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.*

(Amounts 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)**

| Current Period | Carrying values in financial statements prepared as per TAS (1) | Carrying values in consolidated financial statements prepared as per TAS | Carrying values of items in accordance with Turkish Accounting Standards | | | | |
|---|---|---|---|---|---|---|---|
| Liabilities | | | 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 | 25.907.225 | 26.628.325 | - | 913.928 | - | - | - |
| Money Market Funds | 391.731 | 1.197.367 | - | 1.031.214 | - | - | - |
| Securities Issued | 7.999.671 | 6.277.368 | - | - | - | - | - |
| Funds | 41.608 | 58.950 | - | - | - | - | - |
| Financial Liabilities at Fair Value Through Profit or Loss | - | - | - | - | - | - | - |
| Derivative Financial Liabilities | 602.204 | 484.834 | - | - | - | 231.689 | - |
| Factoring Payables | - | - | - | - | - | - | - |
| Lease Payables | - | 4.913 | - | - | - | - | - |
| Provisions | 142.916 | 264.166 | - | - | - | - | - |
| Current Tax Liability | 88.618 | 83.358 | - | - | - | - | - |
| Deffered tax Liability | - | - | - | - | - | - | - |
| Liabilities for Assets Held for Sale and Discontinued Operations (net) | - | - | - | - | - | - | - |
| Subortinated Debts | 1.785.961 | 1.830.045 | - | - | - | - | - |
| Other Liabilities | 289.956 | 244.696 | - | - | - | - | - |
| Shareholders’ Equity | 4.678.897 | 5.178.989 | - | - | - | - | - |
| **Total Liabilities** | **41.928.787** | **42.253.011** | **-** | **1.945.142** | **-** | **231.689** | **-** |

*(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2018 are used.*

*(2) 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.*

(Amounts 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 | Carrying values in financial statements prepared as per TAS (1) | Carrying values in consolidated financial statements prepared as per TAS | Carrying values of items in accordance with Turkish Accounting Standards | | | | |
|---|---|---|---|---|---|---|---|
| Assets | | | Subject to credit risk | Subject to counterparty credit risk | Securitization Positions | Subject to market risk (2) | Not subject to capital requirements or subject to deduction from capital |
| Cash and Balances at Central Bank | 1.011.829 | 742.985 | 743.228 | - | - | - | - |
| Financial Assets Held for Trading | 499.031 | 806.997 | 807.231 | - | - | - | - |
| Financial Assets at Fair Value through Profit and Loss | 231 | 573.590 | 573.613 | 361 | - | - | - |
| Bank | 12.193 | 9.859 | - | - | - | - | - |
| Money Market Placements | 3.303.566 | 3.420.070 | 3.420.313 | 1.003.456 | - | - | - |
| Financial Assets Available-for-Sale (net) | 1.634.807 | 2.153.313 | 2.154.941 | 248.394 | - | - | - |
| Loans and Receivables | 816.058 | 979.221 | - | 979.221 | - | 447.224 | - |
| Factoring Receivables | 26.803.779 | 27.711.224 | 28.225.979 | - | - | - | - |
| Investment Held-to-Maturity (net) | 117.742 | 132.518 | 133.929 | - | - | - | - |
| Investment in Associates (net) | - | - | - | - | - | - | - |
| Investment in Subsidiaries (net) | - | 1 | 1 | - | - | - | - |
| Joint-Ventures (net) | 375.039 | 429.546 | 429.546 | - | - | - | 31.177 |
| Finance Lease Receivables | - | 4.609 | 4.609 | - | - | - | - |
| Derivative Financial Assets Held for Risk Management | - | 1.760 | 1.760 | - | - | - | - |
| Tangible Assets (net) | 244.421 | 292.651 | 289.026 | - | - | - | 3.985 |
| Intangible Assets (net) | 2.594 | 4.872 | - | - | - | - | 4.872 |
| Investment Properties | 243.151 | 247.793 | 247.793 | - | - | - | - |
| Tax Assets | 4.562 | 3.575 | 3.575 | - | - | - | - |
| Assets Held for Sale and Discontinued Operations (net) | 50.336 | 3.844 | 3.844 | - | - | - | - |
| Other Assets | 620.533 | 751.012 | 686.422 | - | - | - | 65.909 |
| **Total Assets** | **35.739.872** | **38.269.440** | **37.725.810** | **2.231.432** | **-** | **447.224** | **105.943** |

*(1)The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2017 are used.*
*(2) 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.*

(Amounts 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 | Carrying values in financial statements prepared as per TAS (1) | Carrying values in consolidated financial statements prepared as per TAS | Carrying values of items in accordance with Turkish Accounting Standards | | | | |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | **Subject to credit risk** | **Subject to counterparty credit risk** | **Securitization Positions** | **Subject to market risk (2)** | **Not subject to capital requirements or subject to deduction from capital** |
| Deposits | - | - | - | - | - | - | - |
| Derivative Financial Liabilities Held for Trading | 22.679.295 | 23.819.670 | - | 757.816 | - | - | 23.061.854 |
| Funds Borrowed | 607.064 | 402.278 | - | 179.001 | - | - | 223.277 |
| Money Market Funds | 6.131.722 | 6.949.189 | - | - | - | - | 6.949.189 |
| Securities Issued | 21.302 | 32.529 | - | - | - | - | 32.529 |
| Funds | - | - | - | - | - | - | - |
| Miscellaneous Payables | 790.080 | 792.340 | - | - | - | 359.639 | 432.701 |
| Other Liabilities | - | - | - | - | - | - | - |
| Factoring Payables | - | - | - | - | - | - | - |
| Lease Payables | 39.228 | 261.276 | - | - | - | - | 261.276 |
| Derivative Financial Liabilities Held for Risk Management | 27.190 | 94.104 | - | - | - | - | 94.104 |
| Provisions | - | - | - | - | - | - | - |
| Tax Liability | - | - | - | | - | - | - |
| Liabilities for Assets Held for Sale and Discontinued Operations (net) | 1.364.250 | 1.549.774 | - | - | - | - | 1.549.774 |
| Subordinated Debts | 222.799 | 184.204 | - | - | - | - | 184.204 |
| Shareholders’ Equity | 3.856.942 | 4.184.076 | - | - | - | - | 4.184.076 |
| **Total Liabilities** | **35.739.872** | **38.269.440** | **-** | **936.817** | **-** | **359.639** | **36.972.984** |

*(1)The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks as at 30 June 2017 are used.*
*(2) 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.*

(Amounts 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)**

**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 (1)** | **Securitization Positions** | **Counterparty credit risk (1)** | **Market risk (2)** |
|---|---|---|---|---|---|---|
| 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 |
| | **Total net amount** | **-** | **42.113.202** | **-** | **1.522.839** | **79.005** |
| 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 |
| | **Risk Amounts** | **-** | **45.618.861** | **-** | **2.121.419** | **459.363** |

*(1)The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.*
*(2)The valuation amounts of financial instruments included in trading accounts in accordance with TAS are included*

| | **Prior Period** | **Total** | **Credit Risk (1)** | **Securitization Positions** | **Counterparty credit risk (1)** | **Market risk (2)** |
|---|---|---|---|---|---|---|
| 1 | Asset carrying value amount under scope of regulatory consolidation | 38.269.440 | 37.725.810 | - | 2.231.432 | 447.224 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation | 38.269.440 | - | - | 936.817 | 359.639 |
| | **Total net amount** | **-** | **37.725.810** | **-** | **1.294.615** | **87.585** |
| 3 | Off-balance sheet amounts | 65.537.851 | 2.904.440 | - | 423.960 | - |
| 4 | Differences due to prudential filters | - | (342.877) | - | 120.598 | 414.265 |
| | **Risk Amounts** | **-** | **40.287.373** | **-** | **1.839.173** | **501.850** |

*(1)The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.*
*(2) Gross position amounts included in the calculation of market risk are taken as basis.*

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### X. Explanations related to consolidated risk management (continued)

**Linkages between financial statements and risk amounts (continued)**

**The differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

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.

(Amounts 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 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.

**Credit quality of assets**

| | | Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS) | | Allowances/ amortization and impairments | Net Values (a+b+c) |
|---|---|---|---|---|---|
| **Current Period** | | **Defaulted (a)** | **Non-defaulted (b)** | **(c)** | **(d)** |
| 1 | Loans | 1.107.772 | 35.262.027 | 911.456 | 35.458.343 |
| 2 | Debt Securities | - | 6.701.268 | 46.404 | 6.654.864 |
| 3 | Off-balance sheet exposures | 2.964 | 9.064.438 | 24.621 | 9.042.781 |
| 4 | **Total** | **1.110.736** | **51.027.733** | **982.481** | **51.155.988** |

| | | Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS) | | Allowances/ amortization and impairments | Net Values (a+b+c) |
|---|---|---|---|---|---|
| **Prior Period** | | **Defaulted (a)** | **Non-defaulted (b)** | **(c)** | **(d)** |
| 1 | Loans | 597.210 | 32.124.533 | 507.264 | 32.214.479 |
| 2 | Debt Securities | - | 5.660.275 | 179.050 | 5.481.225 |
| 3 | Off-balance sheet exposures | 2.964 | 7.008.225 | 11.986 | 6.999.203 |
| 4 | **Total** | **600.174** | **44.793.033** | **698.300** | **44.694.907** |

(Amounts 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 credit risk (continued)**

**Changes in stock of default loans and debt securities**

| | **Current Period** | **Balance** |
|---|---|---|
| 1 | **Defaulted loans and debt securities at end of the previous reporting** | 600.174 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 516.375 |
| 3 | Receivables back to non-defaulted status | - |
| 4 | Amounts written off | - |
| 5 | Other changes | (5.813) |
| 6 | **Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)** | **1.110.736** |

| | **Prior Period** | **Balance** |
|---|---|---|
| 1 | **Defaulted loans and debt securities at end of the previous reporting** | **54.741** |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 640.289 |
| 3 | Receivables back to non-defaulted status | - |
| 4 | Amounts written off | 147.271 |
| 5 | Other changes | 52.415 |
| 6 | **Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)** | **600.174** |

**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.

## 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 remaning maturities is included in footnotes under Section Four, Note II, "Explanations Related to Consolidated Credit Risk."

***Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions***

On the basis of major regions impaired loans of the bank consist of domestic receivables. On sectoral basis, the amount of the Bank's impaired loans and related provisions is presented in footnote II. " Information of major sectors or type of counterparties" under Section Four explanations consolidated credit risk explanations . The Parent Bank allocates 100% Provision for these receivables. The Bank has no written off receivables as of 31 December 2019 (31 December 2018: TL 147.271).

***The aging analysis of the receivables past due***

The aging analysis of the receivables past due is presented in footnote under Section Four II. "Explanations related to consolidated credit risk".

**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 colleterals 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.

(Amounts 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 credit risk (continued)**

**Credit risk mitigation techniques - Standard approach**

| | Current Period | Exposures unsecured: value in accordance with TAS. | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|---|---|---|---|---|---|---|---|---|
| 1 | Loans | 33.363.272 | 1.904.349 | 1.647.757 | 190.722 | 146.979 | - | - |
| 2 | Debt securities | 6.654.864 | - | - | - | - | - | - |
| 3 | **Total** | **40.018.136** | **1.904.349** | **1.647.757** | **190.722** | **146.979** | **-** | **-** |
| 4 | Of which default | 1.107.772 | - | - | - | - | - | - |

| | Prior Period | Exposures unsecured: value in accordance with TAS. | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|---|---|---|---|---|---|---|---|---|
| 1 | Loans | 30.440.714 | 1.535.601 | 1.296.045 | 236.730 | 188.947 | - | - |
| 2 | Debt securities | 5.481.225 | - | - | - | - | - | - |
| 3 | **Total** | **35.921.939** | **1.535.601** | **1.296.045** | **236.730** | **188.947** | **-** | **-** |
| 4 | Of which default | 597.210 | - | - | - | - | - | - |

(Amounts 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 credit risk (continued)**

**Credit risk under standard approach**

***Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk***

The related disclosures are presented footnote II "Explanations related to consolidated credit risk" in Section Four.

**Credit risk exposure and credit risk mitigation effects**

| | Current Period | Exposures before credit conversion factor and credit risk mitigation | | Exposures post credit conversion factor and credit risk mitigation | | Risk weighted amount and risk weighted amount density | |
|---|---|---|---|---|---|---|---|
| | Risk Groups | 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 residental 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** | **Total** | **42.113.208** | **28.990.301** | **41.661.529** | **3.957.332** | **38.942.259** | **85%** |

(Amounts 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 credit risk (continued)

#### Credit risk under standard approach (continued)

#### Credit risk exposure and credit risk mitigation effects (continued)

| | **Prior Period** | **Exposures before credit conversion factor and credit risk mitigation** | | **Exposures post credit conversion factor and credit risk mitigation** | | **Risk weighted amount and risk weighted amount density** | |
|---|---|---|---|---|---|---|---|
| | **Risk Groups** | **On-Balance sheet amount** | **Off-balance sheet amount** | **On-Balance sheet amount** | **Off-balance sheet amount** | **Risk weighted amount** | **Risk weighted amount density** |
| 1 | Exposures to sovereigns and their central banks | 6.058.395 | 186.912 | 6.245.788 | 37.382 | 1.628.438 | 26% |
| 2 | Exposures to regional and local governments | - | 3.000 | - | 600 | 300 | 50% |
| 3 | Exposures to administrative bodies and noncommercial entities | - | 11.946 | - | 2.389 | 2.389 | 100% |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - |
| 6 | Exposures to banks and securities firms | 2.741.096 | 1.083.722 | 2.742.650 | 180.015 | 1.893.147 | 65% |
| 7 | Exposures to corporates | 25.907.012 | 21.403.208 | 25.696.342 | 2.350.707 | 27.813.589 | 99% |
| 8 | Retail exposures | - | - | - | - | - | - |
| 9 | Exposures secured by residental real estate property | - | - | - | - | - | - |
| 10 | Exposures secured by commercial real estate property | 1.154.961 | 240.271 | 1.154.961 | 233.618 | 694.289 | 50% |
| 11 | Past due receivables | 597.210 | - | 427.721 | - | 424.469 | 99% |
| 12 | Exposures in higher-risk categories | - | 107.404 | - | 1.114 | 1.380 | 124% |
| 13 | Exposures in the form of bonds secured by mortgages | - | - | - | - | - | - |
| 14 | Short term exposures to banks, brokerage houses and corporates | - | - | - | - | - | - |
| 15 | Equity investments in the form of collective investment undertakings | - | - | - | - | - | - |
| 16 | Other exposures | 736.831 | 194.847 | 616.703 | 98.615 | 715.291 | 100% |
| 17 | Equity investments | 498.767 | - | 498.767 | - | 1.119.256 | 224% |
| **18** | **Total** | **37.694.271** | **23.231.310** | **37.382.933** | **2.904.440** | **34.292.548** | **85%** |

(Amounts 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 credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights**

| | Current Period<br>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 | 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 | **Total** | **5.245.019** | **-** | **1.430.240** | **2.129.351** | **-** | **36.243.234** | **79.240** | **-** | **491.777** | **45.618.861** |

(Amounts 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 credit risk (continued)**

**Credit risk under standardised approach (continued)**

**Exposures by asset classes and risk weights (continued)**

| | **Prior Period**<br>**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 | 4.654.732 | - | - | - | - | 1.628.438 | - | - | - | 6.283.170 |
| 2 | Exposures to regional and local governments | - | - | - | 600 | - | - | - | - | - | 600 |
| 3 | Exposures to administrative bodies and noncommercial entities | - | - | - | - | - | 2.389 | - | - | - | 2.389 |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to banks and securities firms | - | - | 1.122.881 | 262.426 | - | 1.537.358 | - | - | - | 2.922.665 |
| 7 | Exposures to corporates | - | - | 9.689 | 451.418 | - | 27.585.942 | - | - | - | 28.047.049 |
| 8 | Retail exposures | - | - | - | - | - | - | - | - | - | - |
| 9 | Exposures secured by property | - | - | - | 1.388.579 | - | - | - | - | - | 1.388.579 |
| 10 | Past due receivables | - | - | - | 8.247 | - | 417.732 | 1.742 | - | - | 427.721 |
| 11 | Exposures in higher-risk categories | - | - | - | 292 | - | - | 822 | - | - | 1.114 |
| 12 | Exposures in the form of bonds secured by mortgages | - | - | - | - | - | - | - | - | - | - |
| 13 | Short term exposures to banks, brokerage houses and corporates | - | - | - | - | - | - | - | - | - | - |
| 14 | Equity investments in the form of collective investment undertakings | - | - | - | - | - | - | - | - | - | - |
| 15 | Equity investments | - | - | - | - | - | 85.108 | - | - | 413.659 | 498.767 |
| 16 | Other exposures | 27 | - | - | - | - | 715.292 | - | - | - | 715.319 |
| 17 | **Total** | **4.654.759** | - | **1.132.570** | **2.111.562** | - | **31.972.259** | **2.564** | - | **413.659** | **40.287.373** |

## 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**

| | **Current Period** | 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) | 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 | **Total** | - | - | - | - | - | **1.023.514** |

(Amounts 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)

**Disclosures on counterparty credit risk (CCR) (continued)**

**Analysis of counterparty credit risk (CCR) exposure by approach (continued)**

| | Prior Period | 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) | 979.220 | 423.960 | - | - | 1.403.180 | 820.760 |
| 2 | Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 3 | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 4 | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | 435.992 | 280.613 |
| 5 | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | - | - | - | - | - | - |
| 6 | **Total** | - | - | - | - | - | **1.101.373** |

### Credit valuation adjustment (CVA) for capital charge

| | Current Period | Exposure at default post-credit risk mitigation techniques | Risk weighted amount |
|---|---|---|---|
| | 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 |
| **4** | **Total subject to the CVA capital charge** | **1.223.373** | **381.915** |

| | Prior Period | Exposure at default post-credit risk mitigation techniques | Risk weighted amount |
|---|---|---|---|
| | Total portfolios subject to the Advanced CVA capital charge | - | - |
| 1 | (i) VaR component (including the 3*multiplier) | - | - |
| 2 | (ii) Stressed VaR component (including the 3*multiplier) | - | - |
| 3 | All portfolios subject to the Standardised CVA capital charge | 1.403.180 | 396.817 |
| **4** | **Total subject to the CVA capital charge** | **1.403.180** | **396.817** |

(Amounts 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 on counterparty credit risk (CCR)**

**Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk weights**

| Current Period<br>Risk Weight<br>Risk Groups | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total credit exposure(1) |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| **Total** | - | - | **547.577** | **1.023.200** | - | **402.398** | - | - | **1.973.175** |

(1) Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

(Amounts 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 on counterparty credit risk (CCR) (continued)**

**Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk weights (continued)**

| Prior Period<br>Risk Weight / Risk Classes | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total credit exposure(1) |
|---|---|---|---|---|---|---|---|---|---|
| Exposures to sovereigns and their central banks | - | - | - | - | - | 154 | - | - | 154 |
| Exposures to regional and local governments | - | - | - | - | - | - | - | - | - |
| Exposures to administrative bodies and noncommercial entities | - | - | - | - | - | 1.099 | - | - | 1.099 |
| Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - |
| Exposures to international organizations | - | - | - | - | - | - | - | - | - |
| Exposures to banks and securities firms | - | - | 293.444 | 1.006.089 | - | 57 | - | - | 1.299.590 |
| Exposures to corporates | - | - | - | - | - | 534.856 | - | - | 534.856 |
| Retail exposures | - | - | - | - | - | - | - | - | - |
| Exposures secured by property | - | - | - | - | - | - | - | - | - |
| Past due receivables | - | - | - | - | - | - | - | - | - |
| Exposures in higher-risk categories | - | - | - | - | - | - | - | - | - |
| Exposures in the form of bonds secured by mortgages | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Short term exposures to banks, brokerage houses and corporates | - | - | - | - | - | - | - | - | - |
| Equity investments in the form of collective investment undertakings | - | - | - | - | - | - | - | - | - |
| Equity investments | - | - | - | - | - | - | - | - | - |
| Other exposures | - | - | - | - | - | 3.474 | - | - | 3.474 |
| Other assets | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **293.444** | **1.006.089** | **-** | **539.640** | **-** | **-** | **1.839.173** |

(1) Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### X. Explanations related to consolidated risk management (continued)

**Disclosures on counterparty credit risk (CCR) (continued)**

**Collaterals used for CCR**

| Current Period | Collaterals received | | Collaterals given | | Collaterals received | Collaterals given |
|---|---|---|---|---|---|---|
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash – domestic currency | - | - | - | - | 491.072 | - |
| Cash – foreign currency | - | - | - | - | 1.454.070 | - |
| Domestic sovereign debt | - | - | - | - | 658 | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| **Total** | - | - | - | - | 1.945.800 | - |

| Prior Period | Collaterals received | | Collaterals given | | Collaterals received | Collaterals given |
|---|---|---|---|---|---|---|
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash – domestic currency | - | - | - | - | 163.910 | - |
| Cash – foreign currency | - | - | - | - | 773.267 | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **937.177** | **-** |

**Credit derivatives**

None (31 December 2018 : None).

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

## X. Explanations related to consolidated risk management (continued)

### Exposure to central counterparties (CCP)

| Current Period | Exposure at Default Post – CRM | RWA |
|---|---|---|
| **Exposure to Qualified Central Counterparties (QCCPs) Total** | 241.802 | 5.281 |
| Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which | 148.244 | 2.964 |
| (i) OTC Derivatives | 127.470 | 2.549 |
| (ii) Exchange-traded Derivatives | 5.324 | 106 |
| (iii) Securities financing transactions | 15.449 | 309 |
| (iv) Netting sets where cross-product netting has been approved | | |
| Segregated initial margin | 22.880 | - |
| Non-segregated initial margin | | |
| Pre-funded default fund contributions | 70.678 | 2.317 |
| Unfunded default fund contributions | - | - |
| **Exposures to non- Central Counterparties (QCCPs) Total** | - | - |
| Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| (i) OTC Derivatives | - | - |
| (ii) Exchange-traded Derivatives | - | - |
| (iii) Securities financing transactions | - | - |
| (iv) Netting sets where cross-product netting has been approved | - | - |
| Segregated initial margin | - | - |
| Non-segregated initial margin | - | - |
| Pre-funded default fund contributions | - | - |
| Unfunded default fund contributions | - | - |

### Explanations on securitizations

None (31 December 2018 : None).

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

### X. Explanations related to consolidated risk management (continued)

**Disclosures on market risk**

**Qualitative information to be disclosed to public concerning market risk**

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank’s risk adjusted return.

Interest rate , exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a “well diversified” manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

**Market Risk-standard approach**

| | | Risk Weighted Amount (RWA) | |
|---|---|---|---|
| | | **Current Period** | **Prior Period** |
| | **Outright products** | - | - |
| 1 | Interest rate risk (general and specific) | 257.900 | 218.825 |
| 2 | Equity risk (general and specific) | - | - |
| 3 | Foreign exchange risk | 201.301 | 283.025 |
| 4 | Commodity risk | - | - |
| | **Options** | | - |
| 5 | Simplified approach | - | - |
| 6 | Delta-plus method | 162 | - |
| 7 | Scenario approach | - | - |
| 8 | Securitisation | - | - |
| **9** | **Total** | **459.363** | **501.850** |

(Amounts 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)

**Disclosure on operational risk**

**Information to be disclosed to the public regarding operational risk**

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

| | 31/12/2016 | 31/12/2017 | 31/12/2018 | Total/No. of years of positive gross | Rate (%) | Total |
|---|---|---|---|---|---|---|
| Gross Income | 739.710 | 1.034.921 | 1.473.010 | 1.082.547 | 15 | 162.382 |
| Capital Requirement for Operational Risk (Total*12,5) | | | | | | 2.029.776 |

| | 31/12/2015 | 31/12/2016 | 31/12/2017 | Total/No. of years of positive gross | Rate (%) | Total |
|---|---|---|---|---|---|---|
| Gross Income | 660.354 | 739.710 | 1.034.921 | 811.662 | 15 | 121.749 |
| Capital Requirement for Operational Risk (Total*12,5) | | | | | | 1.521.866 |

**Disclosures on interest rate risk resulting from banking book**

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

**The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.**

| Current Period<br>Currency | Applied Shock (+/- x basis point) | Revenue/ Loss | Revenue/Shareholders' Equity – Loss / Shareholders' Equity |
|---|---|---|---|
| TL | +500 / (400) basis point | (157.080) / 144.247 | (2,08%) / 1,91% |
| Euro | +200 / (200) basis point | 57.159 / (4.926) | 0,76% / (0,07%) |
| US Dollar | +200 / (200) basis point | (258.991) / 276.863 | (3,42%) / 3,66% |
| **Total (for Negative Shocks)** | | **416.184** | **5,50%** |
| **Total (for Positive Shocks)** | | **(358.912)** | **(4,74%)** |

| Prior Period<br>Currency | Applied Shock (+/- x basis point) | Revenue/ Loss | Revenue/Shareholders' Equity – Loss/ Shareholders' Equity |
|---|---|---|---|
| TL | +500 / (400) basis point | (127.184) / 114.525 | (2,10%) / 1,89% |
| Euro | +200 / (200) basis point | 99.169 / (35.554) | 1,64% / (0,59%) |
| US Dollar | +200 / (200) basis point | 90.703 / (123.367) | 1,65% / (2,04%) |
| **Total (for Negative Shocks)** | | **(44.397)** | **(0,73%)** |
| **Total (for Positive Shocks)** | | **71.688** | **1,18%** |

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

# SECTION FIVE

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

### I. Explanations and disclosures related to the consolidated assets

### 1.a Information on cash and balances with the Central Bank of Turkey:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 29 | - | 27 | - |
| Balances with the Central Bank of Turkey | 484 | 803.528 | 6.326 | 736.875 |
| Other | - | - | - | - |
| **Total** | **513** | **803.528** | **6.353** | **736.875** |

| | Current Period (1) | | Prior Period | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Unrestricted demand deposits | 484 | 7.461 | 6.326 | 6.602 |
| Unrestricted time deposits | - | - | - | - |
| Restricted time deposits | - | - | - | - |
| Other (2) | - | 796.067 | - | 730.273 |
| **Total** | **484** | **803.528** | **6.326** | **736.85** |

*(1) Deposits at Central Bank of Turkey held as reserve requirement.*
*(2) Provision amounting to TL 429 is allocated in "Balances with the Central Bank of Turkey" (31 December 2018: TL 243)*

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. Interest rate for the required reserves in Turkish Lira is paid effective rate since 21 September 2018.

The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

On 20 August , 2019 Central Bank of the Republic of Turkey changed the required reserves and TL reserve requirement ratio, excluding loans granted to banks with loans indexed to foreign banks, TL denominated cash on standard loans and close monitoring loans have been associated with annual growth rates of the total. Accordingly, TL required reserve ratios have been reduced for the banks whose loan growth is between 10 and 20 percent, while the reserve requirement ratios for other banks have not been changed. As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 September 2019 are presented in table below:

| Reserve Rates for Turkish Lira Liabilities (%) | |
|---|---|
| **Original Maturity** | **Reserve Ratio** |
| Until 1 year maturity (1 year include) | 7 |
| 1-3 year maturity (3 year include) | 3,5 |
| More than 3 year maturity | 1 |

| Original Maturity | Reserve Ratio |
|---|---|
| Until 1 year maturity (1 year included) | 21 |
| 1-2 year maturity (2 year included) | 16 |
| 2-3 year maturity (3 year included) | 11 |
| 3-5 year maturity (5 year included) | 7 |
| More than 5 year maturity | 5 |

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

## SECTION FIVE

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

**I. Explanations and disclosures related to the consolidated assets**

**2 Information on financial assets at fair value through profit and loss:**

**2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:**

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage. (31 December 2018:None)

**2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:**

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements. (31 December 2018:None)

**2.c Positive differences related to derivative financial assets :**

| Derivative Instruments (1) | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **FC** | **TL** | **FC** | **FC** |
| Forward Transactions | 44.124 | 163 | 151.345 | 1.008 |
| Swap Transactions | 609.141 | 231.423 | 605.869 | 161.353 |
| Futures Transactions | - | - | - | - |
| Options | - | 9.596 | - | 59.646 |
| Other | - | - | - | - |
| **Total** | **653.265** | **241.182** | **757.214** | **222.007** |

*(1) Derivative Financial Assets for Hedging Purposes amounting to TL 67.884 are presented in the "Derivative Financial Assets" account in accordance with the financial statement format with effective date of 1 January 2019. (31 December 2018 : None)*

As part of its economic hedging strategy, the Parent Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 245 million as of 31 December 2019 is TL 514.980 and the average rates are between 2020 and 2023.

**2.d Loans at Fair Value Through Profit or Loss:**

| **Net Book Value** | **Current Period** | **Prior Period** |
|---|---|---|
| Loans at Fair Value Through Profit or Loss | 263.097 | 290.660 |

As explained in part 5 Note I.16, it includes the loan extended to the special purpose company . The related loan is monitored as loans whose fair value through profit or loss within the scope of TFRS 9. As of 31 December 2019, the study results of an independent valuation company are based on in determining the fair value.

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

## 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 (1) | | Prior Period | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic | 12.973 | 185.230 | 36.469 | 735.123 |
| Foreign | - | 59.489 | - | 35.639 |
| Branches and head office abroad | - | - | - | - |
| **Total** | **12.973** | **244.719** | **36.469** | **770.762** |

*(1) Provision amounting to TL 384 is allocated in "Banks".(31 December 2018: TL 234)*

### 3.b Information on banks and foreign bank accounts:

| | Unrestricted Amount | | Restricted Amount | |
|---|---|---|---|---|
| | Current Period | Prior Period | Current Period | Prior Period |
| European Union Countries | 1.779 | 1.597 | - | - |
| USA and Canada | 50.431 | 32.303 | - | - |
| OECD Countries (1) | 7.279 | 1.739 | - | - |
| Off-shore banking regions | - | - | - | - |
| Other | - | - | - | - |
| **Total** | **59.489** | **35.639** | - | - |

*(1) OECD countries other than European Union countries, USA and Canada.*

### 4. Available-for-sale financial assets subject to repurchase agreements:

### 4.a.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TP | YP | TP | YP |
| Government bonds | 287.144 | 542.673 | 16.347 | 155.306 |
| Treasury bills | - | - | - | - |
| Other government debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| **Total** | **287.144** | **542.673** | **16.347** | **155.306** |

### 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. Undersecreteriat of Treasury. The carrying value of those assets is TL 1.827.696.

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TP | YP | TP | YP |
| Share certificates | - | - | - | - |
| Bond, treasury bill and similar investment securities | 749.163 | 1.078.533 | 634.489 | 819.159 |
| Other | - | - | - | - |
| **Total** | **749.163** | **1.078.533** | **634.489** | **819.159** |

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

**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 47,81%, Eurobonds 45,92% and shares and other securities 5,28%. (31 December 2018 : government bonds 58,72%, Eurobonds 34,06% and shares and other securities 7,22%.)

**4.c. Information on financial assets at fair value through other comprehensive income:**

| | Current Period | Prior Period |
|---|---|---|
| Debt securities | 4.107.611 | 3.503.459 |
| Quoted on a stock exchange | 2.155.330 | 2.252.288 |
| Unquoted | 1.952.281 | 1.251.171 |
| Share certificates | 126.600 | 99.306 |
| Quoted on a stock exchange | 20.662 | 10.533 |
| Unquoted | 105.938 | 88.773 |
| Impairment provision(-) | 47.938 | 182.695 |
| **Total** | **4.186.273** | **3.420.070** |

*There is no provision for "Financial Assets at Fari Value Through Other Conmprehensive Income"*

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 95.907. (31 December 2018: TL 74.261)

**5. Explanation on loans**

**5.a Information on all types of loans and advances given to shareholders and employees of the Bank:**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | Cash Loans | Non-Cash Loans | Cash Loans | Non-Cash Loans |
| Direct loans granted to shareholders | 251.238 | - | 102.776 | - |
| Corporate shareholders | 251.238 | - | 102.776 | - |
| Real person shareholders | - | - | - | - |
| Indirect loans granted to shareholders | - | - | - | - |
| Loans granted to employees | 740 | - | 662 | - |
| **Total** | **251.978** | **-** | **103.438** | **-** |

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and disclosures related to the consolidated assets (continued)

## 5. Explanation on loans

### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

### 5.b.1 Loans measured at Fair Value through Profit/Loss:

| Current Period | Net Book Value |
|---|---|
| Loans Measured at Fair Value through Profit/Loss (*) | 263.097 |

(*)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 (1) | Standard Loans | Loans Under Close Monitoring | | |
|---|---|---|---|---|
| | | Loans Not Subject to Restructuring | Amendments on Conditions of Contract | |
| Cash Loans | | | Loans with Revised Contract Terms | Refinance |
| Non-specialized loans | 26.862.157 | 803.006 | 1.696.477 | 830.780 |
| Working Capital loans | 3.075.576 | 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 | - | - | - |
| **Total** | **27.078.581** | **803.006** | **1.696.477** | **830.780** |

*(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.648.486 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.*

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

## 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 (1) | Standard Loans | Loans Under Close Monitoring | | |
|---|---|---|---|---|
| | | Loans Not Subject to Restructuring | Amendments on Conditions of Contract | |
| Cash Loans | | | Loans with Revised Contract Terms | Refinance |
| Non-specialized loans | 24.556.445 | 1.716.827 | 219.817 | 716.255 |
| Working Capital loans | 2.761.098 | 35.345 | - | 716.255 |
| Export loans | 443.697 | - | 66.900 | - |
| Import loans | - | - | - | - |
| Loans given to financial sector | 2.986.797 | - | - | - |
| Consumer loans | 662 | - | - | - |
| Credit cards | - | - | - | - |
| Other | 18.364.191 | 1.681.482 | 152.917 | - |
| Specialized loans | - | - | - | - |
| Other receivables | 128.765 | - | - | - |
| **Total** | **24.685.210** | **1.716.827** | **219.817** | **716.255** |

*(1)According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.168.405 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.*

| | Current Period | | Prior period | |
|---|---|---|---|---|
| | Standard Loans | Loans under Close Monitoring | Standard Loans | Loans under Close Monitoring |
| 12 Months Expected Credit Loss | 174.056 | - | 135.537 | - |
| Significant Increase in Credit Risk | - | 350.807 | - | 211.140 |

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

## 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:

| Current Period (*) | Standard Loans | Loans Under Close Monitoring | |
|---|---|---|---|
| | | Nonrestructured | Restructured |
| 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 | - | - | - |

(*)It does not include loans measured at fair value through profit/loss.

| Current Period (*) | Standard Loans | Loans Under Close Monitoring | |
|---|---|---|---|
| | | Nonrestructured | Restructured |
| Short-term loans | 1.335.812 | 324.260 | 66.900 |
| Non-specialized loans | 1.207.047 | 324.260 | 66.900 |
| Specialized loans | - | - | - |
| Other receivables | 128.765 | - | - |
| Orta ve Uzun Vadeli Krediler | 23.349.398 | 1.392.567 | 869.172 |
| Non-specialized loans | 23.349.398 | 1.392.567 | 869.172 |
| Specialized loans | - | - | - |
| Other receivables | - | - | - |

(*)It does not include loans measured at fair value through profit/loss.

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the assets (continued)

### 5. Explanations on loans (continued)

### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

| Current Period | Short Term | Medium and Long Term | Total |
|---|---|---|---|
| Consumer Loans-TL | - | - | - |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans –Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans-FC | - | - | - |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Individual Credit Cards-TL | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Individual Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Loans- TL | 76 | 664 | 740 |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | 76 | 664 | 740 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Real Estate Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards- TL | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Overdraft Accounts- TL (Real Persons) | - | - | - |
| Overdraft Accounts-FC (Real Persons) | - | - | - |
| **Total** | **76** | **664** | **740** |

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

### I. Explanations and disclosures related to the consolidated assets (continued)

### 5. Explanations on loans (continued)

### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):

| Prior Period | Short Term | Medium and Long Term | Total |
|---|---|---|---|
| Consumer Loans-TL | - | - | - |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans –Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans-FC | - | - | - |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Individual Credit Cards-TL | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Individual Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Loans- TL | 65 | 597 | 662 |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | 65 | 597 | 662 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Real Estate Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards- TL | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Overdraft Accounts- TL (Real Persons) | - | - | - |
| Overdraft Accounts-FC (Real Persons) | - | - | - |
| **Total** | **65** | **597** | **662** |

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

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 5. Explanations on loans (continued)

### 5.e Information on commercial loans with instalments and corporate credit cards:

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2018: None).

### 5.f Loans according to borrowers:

| | Current Period | Prior Period |
|---|---|---|
| Public | 942.805 | 584.752 |
| Private | 29.466.039 | 27.044.017 |
| **Total** | **30.408.844** | **27.628.769** |

(*)Includes fair value through profit or loss loans

### 5.g Domestic and foreign loans:

| | Current Period | Prior Period |
|---|---|---|
| Domestic Loans | 30.296.704 | 27.529.071 |
| Foreign Loans | 112.140 | 99.698 |
| **Total** | **30.408.844** | **27.628.769** |

(*)Includes fair value through profit or loss loans

### 5.h Loans granted to subsidiaries and associates:

| | Current Period | Prior Period |
|---|---|---|
| Direct loans granted to subsidiaries and associates | 545.560 | 437.232 |
| Indirect loans granted to subsidiaries and associates | - | - |
| **Total** | **545.560** | **437.232** |

### 5.i Specific provisions provided against loans or default (Stage 3) provisions:

| | Current Period | Prior Period |
|---|---|---|
| Loans and receivables with limited collectability | 184.323 | 12.730 |
| Loans and receivables with doubtful collectability | 120.078 | 104.433 |
| Uncollectible loans and receivables | 53.942 | 52.326 |
| **Total** | **358.343** | **169.489** |

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

## 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 | IV. Group | V. Group |
|---|---|---|---|
| | Loans With Limited Collectability | Loans With Doubtful Collectability | Uncollectible Loans |
| **Current Period** | | | |
| Gross amounts before provisions | - | 592.614 | 37.567 |
| Restructured loans | - | 592.614 | 37.567 |
| **Prior Period** | | | |
| Gross amounts before provisions | 1.936 | - | 39.951 |
| Restructured loans | 1.936 | - | 39.951 |

### 5.j.2 Movement of non-performing loans:

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| **Current Period** | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| **Prior Period End Balance** | **22.719** | **522.165** | **52.326** |
| Additions (+) | 459.570 | 46.845 | 9.959 |
| Transfers from Other Categories of Non-performing Loans (+) | - | 22.779 | 8.215 |
| Transfers to Other Categories of Non-performing Loans (-) | (22.779) | (8.215) | - |
| Collections (-) | (1.640) | (68.616) | (14.761) |
| Write-offs (-) | - | - | - |
| Sold (-) | - | - | - |
| Corporate and Commercial Loans | - | - | - |
| Retail Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| Exchange rate differences of non-performing loans | 35 | 79.087 | 83 |
| **Current Period End Balance** | **457.905** | **594.045** | **55.822** |
| Provisions (-) | 184.323 | 120.078 | 53.942 |
| **Net Balance on Balance Sheet** | **273.582** | **473.967** | **1.880** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 5. Explanations on loans (continued)

### 5.j Information on non-performing loans (net) (continued):

### 5.j.2 Movement of non-performing loans (continued):

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| **Prior Period** | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| **Prior Period End Balance** | **985** | **4.894** | **47.696** |
| Additions (+) | 490.340 | - | 148.151 |
| Transfers from Other Categories of Non-performing Loans (+) | - | 469.603 | 4.894 |
| Transfers to Other Categories of Non-performing Loans (-) | 469.603 | 4.894 | - |
| Collections (-) | 319 | 7.637 | 1.144 |
| Write-offs (-)(1) | - | - | 147.271 |
| Sold (-) | - | - | - |
| Corporate and Commercial Loans | - | - | - |
| Retail Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| Exchange rate differences of non-performing loans | 1.316 | 60.199 | - |
| **Current Period End Balance** | **22.719** | **522.165** | **52.326** |
| Provisions (-) | 12.730 | 104.433 | 52.326 |
| **Net Balance on Balance Sheet** | **9.989** | **417.732** | **-** |

(1)The shares that OTAŞ owns and which constitute 55% of Türk Telekom's issued capital are acquired by a company that is established or will be established for private purposes by creditors within the scope of restructuring of loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom). The portion of OTAŞ current exposure exceeding Türk Telekom's share value is written off . This amount which is written according to the ownership rate USD 28 million (TL 146.730 thousands).

### 5.j.3 Information on foreign currency non-performing loans and other receivables:

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| **Current Period** | | | |
| Period End Balance | 10.306 | 592.614 | 34.215 |
| Provision (-) | 3.223 | 118.878 | 32.335 |
| **Net Balance on Balance Sheet** | **7.083** | **473.736** | **1.880** |
| **Prior Period:** | | | |
| Period End Balance | 2.098 | 522.165 | 32.126 |
| Specific Provision (-) | 356 | 104.433 | 32.126 |
| **Net Balance on Balance Sheet** | **1.742** | **417.732** | **-** |

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

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Explanations on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:**

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans With Limited Collectability | Loans With Doubtful Collectability | Uncollectible Loans |
| **Current Period (Net)** | | | |
| Loans to Real Persons and Legal Entities (Gross) | 457.905 | 594.045 | 50.924 |
| Provision Amount (-) | 184.323 | 120.078 | 49.044 |
| Loans to Real Persons and Legal Entities (Net) | 273.582 | 473.967 | 1.880 |
| Banks (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans (Gross) | - | - | 4.898 |
| Provision Amount (-) | - | - | 4.898 |
| Other Loans and Receivables (Net) | - | - | - |

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| **Prior Period (Net)** | | | |
| Loans to Real Persons and Legal Entities (Gross) | 22.719 | 522.165 | 47.490 |
| Provision Amount (-) | 12.730 | 104.433 | 47.490 |
| Loans to Real Persons and Legal Entities (Net) | 9.989 | 417.732 | - |
| Banks (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans (Gross) | - | - | 4.836 |
| Provision Amount (-) | - | - | 4.836 |
| Other Loans (Net) | - | - | - |

**5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:**

| | III.Group | IV.Group | V.Group |
|---|---|---|---|
| | Loans with Limited Collectability | Loans with Doubtful Collectability | Uncollectible Loans |
| **Current Period (Net)** | **7** | **62.652** | **75** |
| Interest Accruals and Rediscount with Valuation Differences | 7.728 | 90.769 | 83 |
| Provision amount (-) | 7.721 | 28.117 | 8 |
| **Prior Period (Net)** | **1.089** | **48.159** | **-** |
| Interest Accruals and Rediscount with Valuation Differences | 1.316 | 60.199 | - |
| Provision amount (-) | 227 | 12.040 | - |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 5.k Main principles of liquidating non-performing loans and receivables:

If there are collaterals received in according to Article 13 of the "Regulation on the Procedures And Principles For Determination of Qualifications of Loans and Other Receivables By Banks And Provisions to be Set Aside", these collaterals are converted into cash as soon as possible as a result of both administrative and legal proceedings.

In the absence of collaterals, even if there is evidence of insolvency for the debtor, several financial investigations are apply at various periods to determine whether any property are subsequently acquired and legal proceedings are being followed.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

### 5.l Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

### 6. Information on held-to-maturity investments

### 6.a The information was subjected to repo transactions and given as collateral/blocked amount of investments :

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TP | FC | TP | FC |
| Collateralised/Blocked Investments | 737.176 | 26.554 | 39.757 | 46.078 |
| Subject to Repurchase Agreements | 330.755 | 100.588 | - | 248.394 |
| **Total** | **1.067.931** | **127.142** | **39.757** | **294.472** |

### 6.b Information on government debt investments held-to-maturity:

| | Current Period | Prior Period |
|---|---|---|
| Government Bonds | 2.585.160 | 2.154.941 |
| Treasury Bills | - | - |
| Other Government Debt Securities | - | - |
| **Total** | **2.585.160** | **2.154.941** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

**6.c Information on held-to-maturity investments :**

| | Current Period | Prior Period |
|---|---|---|
| **Debt Securities** | | |
| Quoted on a Stock Exchange | 2.285.894 | 1.735.522 |
| Not Quoted | 299.266 | 419.419 |
| **Impairment provision (-)** | - | - |
| **Total** | **2.585.160** | **2.154.941** |

**6.d Movement of held-to-maturity investments within the year :**

| | Current Period | Prior Period |
|---|---|---|
| **Balance at Beginning of the Period** | **2.154.941** | **1.532.047** |
| Foreign Currency Differences on Monetary Assets | 58.982 | 51.793 |
| Purchases During The Period | 433.812 | 227.528 |
| Disposals Through Sales And Redemptions (-) | 195.251 | - |
| Impairment Provision (-) | - | - |
| Interest Income Accruals | 132.676 | 343.573 |
| **Balance at End of Period** | **2.585.160** | **2.154.941** |

*(1) Provision amounting to TL 3.360 is allocated in "Financial asset measured at amortized cost".(31 December 2018: TL 1.628)*

### 7. Information on investments in associates (net):

**7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:**

Unconsolidated non-financial associates are valued at cost.

**7.a.2 Information on unconsolidated associates:**

| | Title | Address (City/ Country) | Bank's share percentage-If different voting percentage (%) | Bank's risk group share percentage (%) |
|---|---|---|---|---|
| 1 | Terme Metal Sanayi ve Ticaret A.Ş. (Terme) | Istanbul/Turkey | 17,83 | 18,76 |
| 2 | Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım) | Izmir/Turkey | 10,05 | 20,10 |

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

| | | Total Assets | Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit /Loss | Prior Period Profit/Loss | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Terme (1) | 22.515 | 5.230 | 1.554 | - | - | (35) | (30) | - |
| 2 | Ege Tarım | 15.242 | 14.161 | 8.130 | - | - | 2.459 | 1.730 | - |

(1) Represents for the period ended 30 September 2019 financial statements. Prior year profit/loss is obtained from 30 September 2018 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.

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

## 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 | 60,92 |
| 3 | İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim) | Istanbul/Turkey | 16,67 | 57,67 |

| | | Total Assets | Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| 1 | İş Faktoring | 3.265.258 | 300.390 | 1.328 | 463.111 | - | (23.452) | 147.016 | 78.535 |
| 2 | İş Finansal | 9.088.358 | 1.273.725 | 12.417 | 943.836 | - | 84.106 | 197.536 | 785.806 |
| 3 | İş Girişim | 265.801 | 261.774 | 1.715 | 9.276 | 1.126 | 1.736 | 3.211 | 48.649 |

| | Current Period | Prior Period |
|---|---|---|
| **Balance at the Beginning of the Period** | **428.490** | **355.795** |
| Movements During the Period | 36.430 | 72.695 |
| Purchases | - | - |
| Bonus Shares Received | | - |
| Current Year Share of Profit | | - |
| Sales | | - |
| Revaluation Increase/Decrease (1) | - | 88.213 |
| Provision for Impairment (-) | 36.430 | - |
| Other | - | (15.518) |
| **Balance at the End of the Period** | **464.920** | **428.490** |
| Capital Commitments | - | - |
| Share Percentage at the End of the Period (%) | - | - |

*(1) Includes accounting differences with the equity method.*

***Information on associates disposed in the current period***

In the current period the Group has not disposed any associates.

***Information on associates purchased in the current period***

In current period the Group has not purchased any associates.

### 7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

| | Current Period | Prior Period |
|---|---|---|
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies | 65.335 | 65.494 |
| Leasing Companies | 355.956 | 319.645 |
| Financial Service Companies | - | - |
| Other Financial Associates | 43.629 | 43.351 |

### 7.a.5 Information on consolidated associates quoted on stock market:

| | Cari Dönem | Önceki Dönem |
|---|---|---|
| Associates Quoted on Domestic Stock Markets | 399.584 | 362.996 |
| Associates Quoted on Foreign Stock Markets | - | - |

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

## 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 (1)** | **Current Period** | **Current Period** | **Current Period** |
| **CORE CAPITAL** | | | |
| Paid-in Capital | 63.500 | 300.000 | 150 |
| Share Premium | - | 593 | - |
| Legal Reserves | 3.681 | 8.683 | - |
| Other Comprehensive Income/Loss according to TAS | 19.994 | - | - |
| Current and Prior Years' Profit | 30.802 | 1.568 | 23 |
| Leasehold Improvements (-) | 404 | - | - |
| Intangible Assets (-) | 1.013 | 18 | 9 |
| **Total Core Capital** | **116.560** | **310.826** | **164** |
| **Supplementary Capital** | **-** | **-** | **-** |
| **Capital** | **-** | **-** | **-** |
| **Net Available Capital** | **116.560** | **310.826** | **164** |

*(1) The information is obtained from financial statements subject to consolidation as of 31 December 2019.*

| | **YF** | **TSKB GYO** |
|---|---|---|
| **Prior Period (1)** | **Prior Period** | **Prior Period** |
| **CORE CAPITAL** | | |
| Paid-in Capital | 63.504 | 300.000 |
| Share Premium | - | 593 |
| Legal Reserves | 2.833 | 8.777 |
| Other Comprehensive Income according to TAS | 17.261 | - |
| Current and Prior Years' Profit / Loss | 18.249 | (44.614) |
| Leasehold Improvements (-) | 360 | - |
| Intangible Assets (-) | 714 | 28 |
| **Total Core Capital** | **100.773** | **264.728** |
| **Supplementary Capital** | **-** | **-** |
| **Capital** | **-** | **-** |
| **Net Available Capital** | **100.773** | **264.728** |

*(1) The information is obtained from financial statements subject to consolidation as of 31 December 2018.*

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102. The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 8. Information related to subsidiaries (net) (continued)

### 8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

### 8.a.3 Information related to unconsolidated subsidiaries:

| | Title | Address (City/ Country) | Bank's share percentage-If different voting percentage (%) | Bank's risk group share percentage (%) |
|---|---|---|---|---|
| 1 | TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD) | Istanbul /Türkiye | 99,99 | 99,99 |
| 2 | TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD) | Istanbul/Türkiye | 95,78 | 98,51 |

| | | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| 1 | TSKB GMD ( 1) | 22.390 | 18.857 | 1.134 | 2.074 | - | 2.729 | 2.283 | - |
| 2 | TSKB SD | 3.123 | 2.928 | 20 | 572 | - | 92 | (1.407) | 3.800 |

*(1) The information is obtained from financial statements subject to consolidation as of 30 September 2019.Prior period income/loss is obtained from financial statements as of 30 September 2018.*

### 8.a.4 Information related to consolidated subsidiaries:

| | Title | Address (City/ Country) | Bank's share percentage-If different voting percentage (%) | Bank's risk group share percentage (%) |
|---|---|---|---|---|
| 1 | Yatırım Finansman Menkul Değerler A.Ş.(YF) | Istanbul /Turkey | 95,78 | 98,51 |
| 2 | TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) | Istanbul/Turkey | 85,41 | 89,49 |
| 3 | Yatırım Varlık Kiralama A.Ş. | Istanbul/Turkey | 100,00 | 100,00 |

| | Total Assets | Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Fair Value |
|---|---|---|---|---|---|---|---|---|
| YF (1) | 786.964 | 117.977 | 9.782 | 56.343 | 1.324 | 16.575 | 11.619 | 101.342 |
| TSKB GYO (1) | 575.937 | 310.844 | 296 | 1.715 | - | 46.186 | (61.455) | 346.953 |
| Yatırım VKŞ (1) | 150.647 | 173 | - | - | - | 23 | - | 150 |

(1) The consolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

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

## 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 |
|---|---|---|
| **Balance at the Beginning of the Period** | **301.178** | **134.976** |
| Movements During the Period | 147.517 | 166.202 |
| Purchases | 400 | 164.494 |
| Bonus Shares Obtained | - | - |
| Current Year Shares of Profit | - | - |
| Sales | - | - |
| Revaluation Increase | 147.117 | 2.900 |
| Provision for Impairment | - | (1.192) |
| **Balance At the End of the Period** | **448.695** | **301.178** |
| Capital Commitments | - | - |
| Share Percentage at the End of the Period (%) | - | - |

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

***Subsidiaries disposed in the current period***

*In the current period, the Group has not disposed any subsidiaries.*

***Subsidiaries purchased in the current period***

The Bank classified security investments of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSGYO) from “financial assets at fair value through other comprehensive income” to “subsidiaries” in the prior period.In the Board of Directors meeting of the Bank held on 27 August 2018, was decided 100% Capital increase over the nominal value because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company and the Bank participated in the capital increase of Tl 150 mio in 30 November 2018.

In addition, in the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş's shares traded in the stock market until a nominal share of TL 10 million within the next one year and the shares received under this program are accounted “Financial Assets at Fair Value Through Profit and Loss”. After this participation, the share of the Bank increased from 70,84% to 88,67%.

The Parent Bank and YFAŞ made a capital contribution commitment of TL 2,8 and 0,7 million, respectively, for the TL 3,5 million cash capital increase of TSKB Sustainability Consultancy Inc., Participated by paying 2,4 and 0,6 million TL respectively as of 19 December 2018. On 21 November 2019, participation was achieved by paying 0,4 million TL and 0,1 million TL, respectively.

### 8.a.5 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

| | Current Period | Prior Period |
|---|---|---|
| Subsidiaries | - | - |
| Banks | | |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Financial Service Companies | - | - |
| Other Financial Subsidiaries | 448.695 | 301.178 |

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

## 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.6 Subsidiaries subject to consolidation quoted on stock market:

| | Current Period | Prior Period |
|---|---|---|
| Subsidiaries quoted on domestic stock exchanges | 346.953 | 211.144 |
| Subsidiaries quoted on foreign stock exchanges | - | - |

### 9. Information related to entities under common control

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı (“Adana Hotel Project”) on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The capital structure of the Adana Otel Projesi Adi Ortaklığı (“Adana Hotel Project”) is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute, and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. ( previous name “Palmira Turizm Ticaret A.Ş.”).

The capital structure of Anavarza Otelcilik Anonim Şirketi is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care.

Hotel Project Ordinary Partnership Commercial Enterprise, owned by TSKB GYO with 50% -50% Bilici Yatırım Sanayi ve Ticaret Anonim Şirketi, together with all its assets and liabilities, as a whole, by changing the type of "Yarsuvat Turizm Anonim Şirketi" It has been transformed into a company named ".

Bilici Yatırım TSKB GYO Adana Hotel Project Ordinary Partnership Commercial Enterprise was transformed into Yarsuvat Turizm Anonim Şirketi and after the conversion, the transfer of the Adana Chamber of Commerce to Anavarza Otelcilik A.Ş. and 9647 numbered Merger document on 20 December 2019.

| | Total Assets | Equity | Total Fixed Assets | Interest Income | Securities Income | Current Year Profit /Loss | Prior Year Profit /Loss | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Anavarza Otelcilik | 10.238 | (3.027) | 1.332 | 187 | - | 803 | - | - |

### 10. Information on finance lease receivables (net)

### 10.a Maturities of investments on finance leases:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Less than 1 year | 36.531 | 34.243 | 31.462 | 27.962 |
| Between 1- 4 years | 93.678 | 85.056 | 88.470 | 78.539 |
| More than 4 years | 10.759 | 9.575 | 31.170 | 27.428 |
| **Total** | **140.968** | **128.874** | **151.102** | **133.929** |

A provision amounting to TL 22.564 (31 December 2018: TL 1.411) was provided for the "Financial Lease Receivables" account.

### 10.b The information on net investments in finance leases:

| | Current Period | Prior Period |
|---|---|---|
| **Gross investments in finance leases** | **140.968** | **151.102** |
| Unearned revenue from finance leases (-) | 12.094 | 17.173 |
| Cancelled finance leases (-) | - | - |
| **Net investments in finance leases** | **128.874** | **133.929** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 10. Information on finance lease receivables (net) (continued)

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

### 11. Information on derivative financial assets for hedging purposes

There is differences on derivative financial instruments held for hedging purposes amounting to TL 67.884 (31 December 2018: None).

As of 31 December 2019, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

| | Current Period | | | Prior Period | | |
|---|---|---|---|---|---|---|
| | **Face Value** | **Asset** | **Liability** | **Face Value** | **Asset** | **Liability** |
| Interest Rate Swap | 16.520.430 | 67.884 | (16.545) | 18.028.129 | - | (172.258) |
| FC | 16.520.430 | 67.884 | (16.545) | 18.028.129 | - | (172.258) |
| TL | - | - | - | - | - | - |

### 11.a.1 Information on fair value hedge accounting

| Current Period<br>Hedging Item | Hedged Item | Type of Risk | Fair Value Change of Hedged Item (1) | Fair Value of Hedging Instrument (1) | | Income St Effect (Profit/Loss Through Derivative Financial Instruments) |
|---|---|---|---|---|---|---|
| | | | | **Aktif** | **Pasif** | |
| Interest Rate Swap Transactions | Fixed Rate Eurobond and Green bond Issued | Interest Rate Risk | 127.988 | - | (137.854) | (9.866) |
| Interest Rate Swap Transactions | Fixed Rate Loans Used | Interest Rate Risk | 20.723 | - | (21.390) | (667) |

*(1) The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.*

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 11.a.1 Information on fair value hedge accounting (continued)

| Prior Period<br>Hedging Item | Hedged Item | Type of Risk | Fair Value Change of Hedged Item (1) | Fair Value of Hedging Instrument (1) | | Income St Effect (Profit/Loss Through Derivative Financial Instruments) |
|---|---|---|---|---|---|---|
| | | | | Asset | Liability | |
| Interest Rate Swap Transactions | Fixed Rate Eurobond and Green bond Issued | Interest Rate Risk | 127.988 | - | (137.854) | (9.866) |
| Interest Rate Swap Transactions | Fixed Rate Loans Used | Interest Rate Risk | 20.723 | - | (21.390) | (667) |

*(1) The fair value of hedged item is presented as net market value less credit risk and accumulated interest.*

### 12. Information on tangible assets (net)

Since the third quarter of 2015, the Group has changed its accounting policy and adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2019 and are not accounted as there is no significant change with the valuation amount recorded in the previous period.

| Current 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 | 5.192 | - | (2.330) | - | 2.862 |
| Vehicles | 1.000 | 2.348 | (813) | - | 2.535 |
| Right to use Securities | - | 6.997 | (455) | - | 6.542 |
| Assets held for resale | - | - | - | - | - |
| Other | 30.040 | 5.652 | (7.280) | - | 28.412 |
| **Total Cost** | **328.156** | **15.038** | **(10.878)** | **49.105** | **381.421** |
| Accumulated depreciation | | | | | |
| Land and buildings | (818) | (236) | - | - | (1.054) |
| Assets held under finance leases | (5.096) | - | 208 | 2.013 | (2.875) |
| Vehicles | (852) | (191) | 771 | - | (272) |
| Right to use Securities | - | (1.949) | 24 | - | (1.925) |
| Assets held for resale | - | - | - | - | - |
| Other | (28.739) | (4.335) | 6.998 | (2.013) | (28.089) |
| **Total accumulated depreciation** | **(35.505)** | **(6.711)** | **8.001** | **-** | **(34.215)** |
| Impairment provision | - | - | - | - | - |
| Land and buildings | - | - | - | - | - |
| Assets held under finance leases | - | - | - | - | - |
| Vehicles | - | - | - | - | - |
| Right to use Securities | - | - | - | - | - |
| Assets held for resale | - | - | - | - | - |
| Other | - | - | - | - | - |
| **Total impairment provision** | **-** | **-** | **-** | **-** | **-** |
| **Net book value** | **292.651** | **8.327** | **(2.877)** | **49.105** | **347.206** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 12. Information on fair value hedge accounting (continued)

| Prior Period | Prior Period End | Current Period Additions | Current Period Disposals | Revaluation Surplus | Other (1) | Current Period End |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land and buildings | 242.240 | 2.719 | - | 46.965 | - | 291.924 |
| Assets held under finance leases | 5.221 | - | (29) | - | - | 5.192 |
| Vehicles | 1.057 | - | (57) | - | - | 1.000 |
| Assets held for resale | - | - | - | - | - | - |
| Other | 28.988 | 2.170 | (1.118) | - | - | 30.040 |
| **Total Cost** | **277.506** | **4.889** | **(1.204)** | **46.965** | **-** | **328.156** |
| Accumulated depreciation | | | | | | |
| Land and buildings | (278) | (20) | - | (520) | - | (818) |
| Assets held under finance leases | (5.093) | (32) | 29 | - | - | (5.096) |
| Vehicles | (703) | (206) | 57 | - | - | (852) |
| Assets held for resale | - | - | - | - | - | - |
| Other | (25.634) | (4.201) | 1.096 | - | - | (28.739) |
| **Total accumulated depreciation** | **(31.708)** | **(4.459)** | **1.182** | **(520)** | **-** | **(35.505)** |
| Impairment provision | | | | | | |
| Land and buildings | - | - | - | - | - | - |
| Assets held under finance leases | - | - | - | - | - | - |
| Vehicles | - | - | - | - | - | - |
| Assets held for resale | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Total impairment provision** | - | - | - | - | - | - |
| **Net book value** | **245.798** | **430** | **(22)** | **46.445** | **-** | **292.651** |

### 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.

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 13.c Cost and accumulated amortization at the beginning and end of the period:

| Current Period | Beginning of Current Period | | End of Current Period | |
|---|---|---|---|---|
| | Gross Book Value | Accumulated Amortization | Gross Book Value | Accumulated Amortization |
| Software | 9.041 | (1.964) | 11.946 | (6.872) |
| Goodwill | 1.005 | - | 1.005 | - |

| Prior Period | Beginning of Current Period | | End of Current Period | |
|---|---|---|---|---|
| | Gross Book Value | Accumulated Amortization | Gross Book Value | Accumulated Amortization |
| Software | 6.537 | (3.957) | 9.042 | (5.175) |
| Goodwill | 1.005 | - | 1.005 | - |

### 13.d Movement of cost and accumulated amortization for the period:

| Current Period | Closing Balance of Prior Period | Current Year Additions | Current Year Disposals | Closing Balance of Current Period |
|---|---|---|---|---|
| Cost | | | | |
| Software | 115 | 9 | - | 124 |
| Goodwill | 1.005 | - | - | 1.005 |
| **Total Cost** | **1.120** | 9 | - | **1.129** |
| | | | | |
| Accumulated Amortization | | | | |
| Software | 8.839 | 2.070 | (187) | 10.722 |
| Goodwill | - | - | - | - |
| **Total Accumulated Amortization** | **8.839** | **2.070** | **(187)** | **10.722** |
| | | | | |
| Impairment Provision | | | | |
| Software | (5.087) | (1.877) | 187 | (6.777) |
| **Total Impairment Provision** | | | | |
| **Net Book Value** | **4.872** | **202** | **-** | **5.074** |

| Prior Period | Closing Balance of Prior Period | Current Year Additions | Current Year Disposals | Closing Balance of Current Period |
|---|---|---|---|---|
| Cost | | | | |
| Software | 6.537 | 2.543 | (38) | 9.042 |
| Goodwill | 1.005 | - | - | 1.005 |
| **Total Cost** | **7.542** | **2.543** | **(38)** | **10.047** |
| | | | | |
| Accumulated Amortization | | | | |
| Software | (3.957) | (1.219) | 1 | (5.175) |
| Goodwill | - | - | - | - |
| **Total Accumulated Amortization** | **(3.957)** | **(1.219)** | **1** | **(5.175)** |
| | | | | |
| Impairment Provision | | | | |
| Software | - | - | - | - |
| **Total Impairment Provision** | - | - | - | - |
| **Net Book Value** | **3.585** | **1.324** | **(37)** | **4.872** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 13. Information on intangible assets (continued)

**13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:**

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2018: None).

**13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:**

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2018: None).

**13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:**

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2018: None).

**13.h The book value of intangible assets that are pledged or restricted for use:**

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2018: None).

**13.i Amount of purchase commitments for intangible assets:**

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2018: None).

**13.j Information on revalued intangible assets according to their types:**

The Group did not revalue its intangible assets as at the reporting date (31 December 2018: None).

**13.k Amount of total research and development expenses recorded in income statement within the period, if any:**

The Group has no research and development costs expensed in the current period (31 December 2018: None).

**13.l Information on goodwill:**

| Goodwill on Consolidation | Effective Share Rate % | Carrying Amount |
|---|---|---|
| Yatırım Finansman Menkul Değerler A.Ş. | 95,78 | 1.005 |

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

## 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 | - | - |
| **Net Value at the End of Period** | **1.005** | **1.005** |

### 13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2018: None).

### 14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 273.918 (31 December 2018: TL 247.793) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 December 2019 and 31 December 2018 is as follows:

| Current Period | Opening Balance of Current Period | Additions | Disposals | Change in Fair Value | Closing Balance of Current Period |
|---|---|---|---|---|---|
| Tahir Han | 28.130 | - | - | 8.830 | 36.960 |
| Pendorya Mall | 154.155 | 1.657 | - | (257) | 155.555 |
| Adana Hotel Project | 65.508 | - | (2.121) | 18.016 | 81.403 |
| **Total** | **247.793** | **1.657** | **(2.121)** | **26.589** | **273.918** |

| Prior Period | Closing Balance of Prior Period | Additions | Disposals | Change in Fair Value | Closing Balance of Prior Period |
|---|---|---|---|---|---|
| Tahir Han | 25.425 | - | - | 2.705 | 28.130 |
| Pendorya Mall | 152.990 | 6 | - | 1.159 | 154.155 |
| Adana Hotel Project | 64.730 | - | - | 778 | 65.508 |
| **Total** | **243.145** | **6** | **-** | **4.642** | **247.793** |

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

## 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.

| **Assets:** | **Current Period** | **Prior Period** |
|---|---|---|
| Loan commissions accrual adjustment | 22.138 | 23.032 |
| Provisions | 129.195 | 79.690 |
| Employee benefit provision | 3.897 | 3.258 |
| Marketable Securities | 2.028 | - |
| Others | 9.179 | 3.334 |
| **Total Deferred Tax Asset** | **166.437** | **109.314** |
| **Deferred tax liabilities:** | | |
| Marketable securities | (905) | (38.458) |
| Borrowings commissions accrual adjustment | (14.744) | (12.329) |
| Valuation of derivative instruments | (104.207) | (43.533) |
| Useful life difference of fixed assets | (846) | (787) |
| Others | (5.805) | (10.363) |
| **Total Deferred Tax Liability** | **(126.507)** | **(105.470)** |
| **Net Deferred Tax Asset** | **39.930** | **3.844** |

| | **Current Period** | **Prior Period** |
|---|---|---|
| Deferred Tax as of January 1 Asset / (Liability) - Net | 3.844 | 40.890 |
| Deferred Tax (Loss) / Gain | 89.505 | (102.674) |
| Deferred Tax that is Realized Under Shareholder's Equity (1) | (53.419) | 65.628 |
| **Deferred Tax Asset / (Liability) Net** | **39.930** | **3.844** |

**15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:**

No deferred tax difference has been calculated over the previous periods and no tax asset has been calculated and reflected in the balance sheet. (31 December 2018 : None )

**15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**

As of the reporting date, the Group has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2018: None).

**16. Explanation on assets held for sale:**

| | **Current Period** | **Prior Period** |
|---|---|---|
| **Net book value at beginning of period** | 1 | - |
| Cash Paid for Purchase | 64.402 | 1 |
| Expected Loss (-) | - | - |
| **Net book value at end of period** | **64.403** | **1** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and disclosures related to the consolidated assets (continued)

### 16. Explanation on assets held for sale (continued)

The Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekominakasyon A.Ş. which was established within this context with 1,6172% stake and amounting to Tl 64.403 . The Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2018: TL 1).

### 17. Information about other assets

### 17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2018: None).

### II. Explanations and disclosures related to the liabilities

### 1. Information of maturity structure of deposits

### 1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

### 1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

### 1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

### 1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

### 2. Negative differences table related to derivative financial liabilities

| Derivative Financial Liabilities Held For Trading (1) | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 41.025 | 142 | 87.610 | 6.307 |
| Swap Transactions | 236.399 | 181,127 | 354.680 | 111.839 |
| Futures Transactions | - | - | - | - |
| Options | - | 9.596 | - | 59.646 |
| Other | - | - | - | - |
| **Total** | **277.424** | **190.865** | **442.290** | **177.792** |

*(1) Financial Liabilities for Hedging Purposes amounting to TL 16.545 (31 December 2018: TL 172.258) are shown in "Derivative Financial Liabilities" in accordance with the financial statement format with effective date of 1 January 2019.*

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

**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**

**3.a Information on banks and other financial institutions:**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Loans from Central Bank of Turkey | - | - | - | - |
| From Domestic Banks and Institutions | 513.609 | 673.969 | 5.000 | 420.465 |
| From Foreign Banks, Institutions and Funds | 122.030 | 25.318.717 | 122.007 | 23.272.198 |
| **Total** | **635.639** | **25.992.686** | **127.007** | **23.692.663** |

**3.b Maturity analysis of funds borrowed:**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Short-term | 20.109 | 132.621 | 5.000 | - |
| Medium and long-term | 615.530 | 25.860.065 | 122.007 | 23.692.663 |
| **Total** | **635.639** | **25.992.686** | **127.007** | **23.692.663** |

**3.c Additional information about the concentrated areas of liabilities:**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Nominal | - | 5.916.000 | - | 6.932.250 |
| Cost | - | 5.884.485 | - | 6.917.804 |
| Book Value | - | 6.023.450 | - | 6.949.189 |

As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Parent Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%. As of 16 January 2018, the Bank issued the debt instrument which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.As of 2 August 2019, Yatırım Finansman Menkul Değerler A.Ş has issued a debt instrument of 82 days term with a nominal interest rate of TL 90 million and a simple interest rate of 18,25% with a redemption date of 23 October 2019. TL 2,5 million of the relevant securities are in the portfolio of the group companies and are eliminated.

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

**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.d Additional information about the concentrated areas of liabilities:**

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| From Domestic Transactions | 369.379 | 216.152 | 41.539 | 137.458 |
| Financial institutions and organizations | 320.343 | - | - | - |
| Other institutions and organizations | 48.417 | 211.791 | 41.013 | 133.730 |
| Real persons | 619 | 4.361 | 526 | 3.728 |
| From Foreign Transactions | 5 | 446.020 | 4 | - |
| Financial institutions and organizations | - | 446.020 | - | - |
| Other institutions and organizations | 2 | - | 2 | - |
| Real persons | 3 | - | 2 | - |
| **Total** | **369.384** | **662.172** | **41.543** | **137.458** |

**4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total**

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2018: None).

**5. Explanations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

The Group has no finance lease payables (31 December 2018: None).

**5.b Explanations regarding operational leases:**

As of the reporting date,2 head office buildings, 8 branches,24 cars and 327 computers are within the context of operational leasing. (31 December 2018: 9 branches, 24 cars and 327 computers are subject to operational leasing). The Group has liability for operational leases amounting to TL 4.913 as of the reporting date

**5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:**

The Group has no sale and lease back transactions as of the reporting date (31 December 2018: None).

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

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### II. Explanations and disclosures related to the consolidated liabilities (continued)

### 6. Negative differences on derivative financial instruments held for hedging purposes:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Fair Value Hedge (1) | - | 16.545 | - | 172.258 |
| Cash Flow Hedge | - | - | - | - |
| Hedge of net investment in foreign operations | - | - | - | - |
| | **-** | **16.545** | **-** | **172.258** |

*(1) Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities" account in accordance with the financial statement format with effective date of 1 January 2019.*

### 7. Information on provisions

### 7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

As of the reporting date, the Bank has no foreign exchange losses on the foreign currency indexed loans (31 December 2018: TL None).

### 7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:

The Parent Bank's specific provisions provided for unindemnified non cash loan third stage expected loss provisions amount to TL 838 (31 December 2018: TL 736).

The Parent Bank's expected credit loss on non-cash loans is amounting to TL 23.857. (31 December 2018 : TL 11.251)

### 7.c Information related to other provisions:

### 7.c.1 Provisions for possible losses:

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (31 December 2018: TL 220.000)

### 7.c.2 Information on employee termination benefits and unused vacation accrual:

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2019, employee termination benefits is amounting TL 14.568 reflected in financial statements (31 December 2018: TL 12.093). As of 31 December 2019, the Bank has provided a reserve for unused vacation amounting to TL 3.526 (31 December 2018: TL 2.825). This balance is classified under reserve for employee benefits in the financial statements.

The actuarial loss amounting to TL 1.034 after 1 January 2019 have been accounted under equity in accordance with the revised TAS 19 standard (31 December 2018: TL 684 actuarial loss).

***Liabilities on pension rights***

As explained on the Section Three, Accounting Policies, XVII. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2019, the Group has no obligations on pension rights (31 December 2018: None).

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### II. Explanations and disclosures related to the consolidated liabilities (continued)

### 7. Information on provisions (continued)

### 7.c Information related to other provisions (continued):

### 7.c.2 Information on employee termination benefits and unused vacation accrual (continued):

***Liabilities for pension funds established in accordance with Social Security Institution***

None (31 December 2018: None).

***Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees***

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.

Accordingly, as of 31 December 2019 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.17, the accounting policies related with employee benefits.

### 7.c.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

Other provisions, except to free provisions for possible losses, includes amount to TL 23.857 for general provision for non-cash loans and other Miscellaneous provisions. (31 December 2018: TL 11.251).

### 8. Information on taxes payable

### 8.a Information on current taxes payable

### 8.a.1 Information on taxes payable:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| Corporate Taxes and Deferred Taxes | **TL** | **FC** | **TL** | **FC** |
| Corporate Taxes Payable | 67.608 | - | 82.363 | - |
| Deferred Tax Liability | - | - | - | - |
| **Total** | **67.608** | - | **82.363** | - |

### 8.a.2 Information on taxes payable:

| | Current Period | Prior Period |
|---|---|---|
| Corporate Taxes Payable | 67.608 | 82.363 |
| Taxation of Securities | 1.583 | 1.442 |
| Capital gains tax on property | - | - |
| Banking and Insurance Transaction Tax (BITT) | 7.358 | 6.835 |
| Foreign Exchange Transaction Tax | - | - |
| Value Added Tax Payable | 545 | 838 |
| Other | 5.688 | 2.120 |
| **Total** | **82.782** | **93.598** |

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

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### II. Explanations and disclosures related to the consolidated liabilities (continued)

#### 8.a.3 Information on premiums:

| | Current Period | Prior Period |
|---|---|---|
| Social Security Premiums-Employee | 177 | 156 |
| Social Security Premiums-Employer | 203 | 178 |
| Bank Social Aid Pension Fund Premium-Employee | - | - |
| Bank Social Aid Pension Fund Premium-Employer | - | - |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 58 | 50 |
| Unemployment Insurance-Employer | 115 | 99 |
| Other | 23 | 23 |
| **Total** | **576** | **506** |

#### 8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2018: None).

#### 9. Information on liabilities regarding assets held for sale

None (31 December 2018: None).

#### 10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 1.830.045.

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| Debt Instruments Subject to Common Equity | **TP** | **FC** | **TP** | **FC** |
| Subordinated Loans | - | - | - | - |
| Subordinated Debt Instruments | - | - | - | - |
| Debt Instruments Subject to Tier II Equity | - | 1.830.045 | - | 1.549.774 |
| Subordinated Loans | - | - | - | - |
| Subordinated Debt Instruments | - | 1.830.045 | - | 1.549.774 |
| **Total** | **-** | **1.830.045** | **-** | **1.549.774** |

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

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**11. Explanations on shareholders' equity**

**11.a Presentation of paid-in capital:**

| | Current Period | Prior Period |
|---|---|---|
| Common stock | 2.800.000 | 2.800.000 |
| Preferred stock | - | - |

**11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:**

| Capital System | Paid-in capital | Ceiling |
|---|---|---|
| Registered Capital System | 2.800.000 | 4.500.000 |

**11.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase in the current period, and it was decided to transfer the 2018 profit to the reserves within the framework of the General Assembly Decision.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018 and was announced in the Turkish Trade Registry Gazette dated 7 June 2018 and No. 9605.

**11.d Information on share capital increases from capital reserves:**

None (31 December 2018: None).

**11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period (31 December 2018: None).

**11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

The prior period income, profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Pareny Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

**11.g Information on preferred shares:**

The Parent Bank has no preferred shares (31 December 2018: None).

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

## 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 |
| **From Associates, Subsidiaries, and Entities Under Common Control** | 23.469 | - | 6.791 | - |
| **Available for Sale Financial Assets** | **79.862** | **(3.357)** | **(53.478)** | **(69.434)** |
| Valuation Differences | 59.148 | (3.357) | (69.182) | (69.434) |
| Foreign Exchange Difference | 20.714 | - | 15.704 | - |
| **Total** | **103.331** | **(3.357)** | **(46.687)** | **(69.434)** |

### 11.i Informations on legal reserves:

| | Current Period | Prior Period |
|---|---|---|
| First legal reserve | 306.012 | 186.482 |
| Second legal reserve | 248 | 85.918 |
| Other Legal Reserves Appropriated In Accordance with Special Legislation | 373 | 373 |
| **Total** | **306.633** | **272.773** |

### 11.j Information on extraordinary reserves:

| | Current Period | Prior Period |
|---|---|---|
| Reserves Appropriated by the General Assembly | 841.395 | 177.725 |
| Retained Earnings | - | - |
| Accumulated Losses | - | - |
| Foreign Currency Share Capital Exchange Differences | - | - |
| **Total** | **841.395** | **177.725** |

### 12. Information on minority shares:

| | Current Period | Prior Period |
|---|---|---|
| Paid-in-Capital | 34.660 | 41.566 |
| Other Capital Reserves | 33 | 33 |
| Share Premium | 63 | 77 |
| Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss | 774 | 713 |
| Legal Reserves | 160 | 126 |
| Extraordinary Reserves | 706 | 837 |
| Other Profit Reserves | - | - |
| Retained Earnings / Accumulated Losses | (3.943) | 2.763 |
| Net Profit or Loss | 5.637 | (7.493) |
| **Total** | **38.090** | **38.622** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations and disclosures related to the consolidated off-balance sheet items

### 1. Information on off-balance sheet liabilities

### 1.a Nature and amount of irrevocable loan commitments:

| | Current Period | Prior Period |
|---|---|---|
| Commitments for Forward Purchase and Sales of Assets | 21.404 | 97.040 |
| Commitments for Money Market Brokerage Purchase and Sales | 73.508 | 120.537 |
| Commitments for Stock Brokerage Purchase and Sales | 345.846 | 11.621 |
| Commitments for Letter of Credit | 434.273 | 805.364 |
| Commitments from Forward Short Term Borrowing and Transfers | - | - |
| Capital commitments for subsidiaries and associates (1) | 96.782 | 97.805 |
| Other | 332.546 | 193.329 |
| **Total** | **1.304.359** | **1.325.696** |

*(1) The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment*

### 1.b Possible losses and commitments related to off-balance sheet items including items listed below:

### 1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credits, surety and acceptance amount to TL 2.728.688 (31 December 2018: TL 1.590.814).

### 1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee is TL 1.819.030 (31 December 2018:TL 1.582.993).

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

### 1. Information on off-balance sheet liabilities (continued)

### 1.c.1 Total amount of non-cash loans:

| | Current Period | Prior Period |
|---|---|---|
| Non-cash Loans Given Against Achieving Cash Loans | 1.816.072 | 1.559.897 |
| With Maturity of One Year or Less than One Year | 189.403 | 92.372 |
| With Maturity of More than One Year | 1.626.669 | 1.467.525 |
| Other Non-Cash Loans | 2.731.644 | 1.613.910 |
| **Total** | **4.547.716** | **3.173.807** |

### 1.c.2 Information on sectoral risk breakdown of non-cash loans:

| | Current Period | | | | Prior Period | | | |
|---|---|---|---|---|---|---|---|---|
| | TL | (%) | TL | (%) | TL | (%) | TL | (%) |
| Agriculture | - | - | - | - | - | - | - | - |
| Farming and stockbreeding | - | - | - | - | - | - | - | - |
| Forestry | - | - | - | - | - | - | - | - |
| Fishing | - | - | - | - | - | - | - | - |
| Industry | 446.093 | 99 | 3.875.939 | 94 | 561.688 | 99 | 1.811.654 | 91 |
| Mining | - | - | 29.417 | 1 | - | - | - | - |
| Manufacturing Industry | 224.957 | 50 | 2.312.722 | 56 | 381.548 | 68 | 937.466 | 48 |
| Electricity, Gas, Water | 221.136 | 49 | 1.533.800 | 37 | 180.140 | 31 | 874.188 | 43 |
| Construction | 3.013 | 1 | 27.637 | 1 | 146 | - | - | - |
| Services | 1.628 | - | 193.406 | 5 | 1.164 | 1 | 199.059 | 9 |
| Wholesale and Retail Trade | - | - | 3.947 | - | - | - | 9.410 | - |
| Hotel, Food and Beverage Services | - | - | 115.344 | 3 | - | - | - | - |
| Transportation and Communication | 1.138 | - | - | - | 62 | - | 44.463 | 2 |
| Financial Institutions | 96 | - | 74.115 | 2 | 321 | - | 145.186 | 7 |
| Real Estate and Leasing Services | 394 | - | - | - | 781 | 1 | - | - |
| Self-employment Services | - | - | - | - | - | - | - | - |
| Education Services | - | - | - | - | - | - | - | - |
| Health and Social Services | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| **Total** | **450.734** | **100** | **4.096.982** | **100** | **562.998** | **100** | **2.010.713** | **100** |

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

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

### 1. Information on off-balance sheet liabilities (continued)

### 1.c.3 Information on non cash loans classified under Group I and Group II:

| | Ist Group | | | | IInd Group | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Period | | Prior Period | | Current Period | | Prior Period | |
| | TL | FC | TL | FC | TL | FC | TL | FC |
| Non-cash Loans | 440.861 | 4.083.632 | 478.127 | 2.676.264 | 6.547 | 13.350 | 6.854 | 9.598 |
| Letters of Guarantee | 440.861 | 1.368.294 | 478.127 | 1.095.048 | 6.547 | - | 6.854 | - |
| Bank Acceptances | - | 190.447 | - | - | - | - | - | - |
| Letters of Credit | - | 2.524.891 | - | 1.581.216 | - | 13.350 | - | 9.598 |
| Endorsements | - | - | - | - | - | - | - | - |
| Purchase Guarantees on | - | - | - | - | - | - | - | - |
| Factoring Guarantees | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |

### 2. Information related to derivative financial instruments

As of 31 December 2019, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

| Current Perior | Forward Buy | Forward Sell | Swap Buy | Swap Sell | Option Buy | Option Sell | Other Buy | Other Sell | Fair Value Hedge |
|---|---|---|---|---|---|---|---|---|---|
| TL | 1.359.615 | 1.355.680 | 664.611 | 2.618.503 | 444.061 | 443.961 | - | - | |
| ABD Doları | 1.067.693 | 1.068.050 | 12.393.207 | 7.923.738 | 259.855 | 259.855 | - | - | 16.520.430 |
| Avro | 268.272 | 268.400 | 3.282.915 | 5.357.345 | 184.034 | 184.034 | - | - | |
| Diğer | - | - | - | 147.015 | 157.687 | - | - | - | |
| **Toplam** | **2.695.580** | **2.692.130** | **16.340.733** | **16.046.601** | **1.045.637** | **887.850** | **-** | **-** | **16.520.430** |

| Prior Period | Forward Buy | Forward Sell | Swap Buy | Swap Sell | Option Buy | Option Sell | Other Buy | Other Sell | Fair Value Hedge |
|---|---|---|---|---|---|---|---|---|---|
| TL | 974.149 | 845.785 | 982.222 | 3.432.783 | 1.281.990 | 1.281.990 | - | - | - |
| ABD Doları | 136.897 | 321.265 | 10.777.833 | 6.640.106 | 1.204.750 | 1.204.755 | - | - | 18.028.129 |
| Avro | 827.414 | 695.439 | 3.890.834 | 5.382.212 | 147.514 | 147.509 | - | - | - |
| Diğer | - | - | 166.575 | 155.096 | - | - | - | 13.401 | - |
| **Toplam** | **1.938.460** | **1.862.489** | **15.817.464** | **15.610.197** | **2.634.254** | **2.634.254** | **-** | **13.401** | **18.028.129** |

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

## 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 | | |
|---|---|---|---|---|---|---|
| **Derivative Financial Liabilities Held For Trading** | **Fair value assets** | **Fair value liabilities** | **Fair value assets** | **Fair value liabilities** | **Fair value assets** | **Fair value liabilities** |
| Swap Transactions | 663.432 | 286.316 | 13.847.767 | 659.811 | 394.648 | 14.715.655 |
| Interest Rate Swap Transactions | 177.133 | 130.228 | 18.697.254 | 107.411 | 71.871 | 16.712.006 |
| Forward Transactions | 44.287 | 41.167 | 5.387.710 | 152.353 | 93.917 | 3.800.949 |
| Futures Transactions | - | - | - | - | - | - |
| Option Transactions | 9.596 | 9.596 | 1.775.800 | 59.646 | 59.646 | 5.268.508 |
| Other | - | - | - | - | 410 | 13.401 |
| **Total** | **894.448** | **467.307** | **39.708.531** | **979.221** | **620.492** | **40.510.519** |

***Fair value hedges***

For the year ended 31 December 2019 the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 16.520.430 (31 December 2018: TL 18.028.129).

***Hedging from the cash-flow risk***

As of 31 December 2019 there is no cash-flow hedging transactions (31 December 2018: None).

### 3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2018: None).

### 4. Explanations on contingent liabilities and assets

There are 69 legal cases against the Group which are amounting to TL 5.251 as of the reporting date (31 December 2018: TL 5.225 - 67 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not been deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Parent Bank relying on this report.

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations related to the consolidated off-balance sheet items (continued)

### 4. Information related to derivative financial instruments (continued)

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the Parent Bank and an amount of TL 12.750 corresponding to the portion that the Parent Bank was obliged to pay for the related period is recognized as income in the prior period.

There is a lawsuit for Pendorya Mall of Company registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. Company has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff 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.

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations related to the consolidated off-balance sheet items (continued)

### 4. Information related to derivative financial instruments (continued)

Beyoglu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoglu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoglu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoglu Municipality approved the reclaim. However, there has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. Thats 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.

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.

(Amounts 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

### 1. Information on interest income

### 1.a Information on interest on loans:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Interest on Loans (1) | | | | |
| Short Term Loans | 207.551 | 109.216 | 340.368 | 55.039 |
| Medium and Long Term Loans | 357.131 | 1.525.484 | 330.572 | 1.377.651 |
| Interest on Non-performing Loans | 9.663 | 51.003 | 7 | 29.715 |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| **Total** | **574.345** | **1.685.703** | **670.947** | **1.462.405** |

*(1) 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 (1) | 7.101 | - | 10.258 | - |
| Domestic Banks | 26.541 | 25.891 | 60.854 | 16.382 |
| Foreign Banks | 1.417 | 6.472 | 1.143 | 499 |
| Branches and Head Office Abroad | - | - | - | - |
| **Total** | **35.059** | **32.363** | **72.255** | **16.881** |

*(1) Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.*

### 1.c Information on interest received from marketable securities:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Financial Assets at Fair Value Through Profit and Loss | 1.327 | - | 1.514 | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 370.504 | 71.792 | 296.002 | 62.774 |
| Financial Assets Measured at Amortized Cost | 199.903 | 26.895 | 386.565 | 15.635 |
| **Total** | **571.734** | **98.687** | **684.081** | **78.409** |

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) goverment bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2019.

(Amounts 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

### 1. Information on interest income (continued)

### 1.d Information on interest income received from associates and subsidiaries:

| | Current Period | Prior Period |
|---|---|---|
| Interest Received from Associates and Subsidiaries | 18.588 | 26.076 |

### 2. Faiz giderlerine ilişkin bilgiler

### 2.a Kullanılan kredilere verilen faizlere ilişkin bilgiler:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | FC | TL | FC | YP |
| Banks | 60.515 | 100.375 | 47.147 | 91.198 |
| The Central Bank of Turkey | - | - | - | - |
| Domestic Banks | 50.352 | 21.548 | 35.620 | 25.434 |
| Foreign Banks | 10.163 | 78.827 | 11.527 | 65.764 |
| Branches and Head Office Abroad | - | - | - | - |
| Other Financial Institutions | 2.794 | 505.634 | 2.794 | 439.969 |
| **Total (1)** | **63.309** | **606.009** | **49.941** | **531.167** |

*(1) Commissions given to the Banks and Other Institutions are presented under interest expense.*

### 2.b Information on interest expenses to associates and subsidiaries:

There is no interest expense to its associates and subsidiaries (31 December 2018: None).

### 2.c Information on interest expense to securities issued:

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | FC | TL | FC | TL |
| Interest on securities issued (1) | - | 565.831 | - | 491.351 |

*(1) Commissions given to issuance have been included to interest expense.*

### 3. Information on dividend income:

| | Current Period | Prior Period |
|---|---|---|
| Financial Assets at Fair Value Through Profit or Loss | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 5.707 | 4.612 |
| Other | 1.047 | 913 |
| **Total** | **6.754** | **5.525** |

(Amounts 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)

### 4. Information on net trading income (net)

| | Current period | Prior period |
|---|---|---|
| **Profit** | **3.667.342** | **5.948.542** |
| Gains on capital market operations | 6.645 | 5.041 |
| Gains on derivative financial instruments (1) | 2.173.190 | 3.241.829 |
| Foreign exchange gains | 1.487.507 | 2.701.672 |
| **Losses (-)** | **4.086.465** | **6.277.742** |
| Losses on capital market operations | 2.908 | 2.839 |
| Losses on derivative financial instruments (1) | 2.662.268 | 3.858.177 |
| Foreign exchange losses | 1.421.289 | 2.416.726 |

*(1) Foreign exchange gain from derivative transactions amounting to TL 859.644 is presented in "Gains on derivative financial instruments" (31 December 2018: TL 2.112.377), foreign exchange loss from derivative transactions amounting to TL (1.238.652) is presented in "Losses on derivative financial instruments" (31 December 2018: TL 2.703.018)).*

### 5. Information related to other operating income

| | Current Period | Prior Period |
|---|---|---|
| Provisions Released (1) | 27.199 | 91.162 |
| Gains on Sale of Assets | 1.025 | 73 |
| From Associate and Subsidiary Sales | - | - |
| From Immovable Fixed Asset Sales | 106 | - |
| From Property Sales | 837 | - |
| From Other Asset Sales | 82 | 73 |
| Other | 37.326 | 17.858 |
| **Total** | **65.550** | **109.093** |

*(1) Includes TL 90.000 provision released in the priort period.*

### 6. Provision expenses related to loans and other receivables of the Group

| | Current Period | Prior Period |
|---|---|---|
| Expected Credit Loss | 418.518 | 494.269 |
| 12 Months Expected Credit Loss (Stage 1) | 50.994 | 81.575 |
| Significant Increase in Credit Risk (Stage 2) | 143.607 | 131.972 |
| Non-performing Loans (Stage 3) | 223.917 | 280.722 |
| Marketable Securities Impairment Expenses | 42.113 | 8.380 |
| Financial Assets at Fair Value Through Profit or Loss | 34.196 | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 7.917 | 8.380 |
| Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Entities under Common Control (Joint Venture) | - | - |
| Other (1) | - | 30.000 |
| **Total** | **460.631** | **532.649** |

*(1) Includes the free provision of the Parent Bank in the current period. It is included under Other Provision Expenses in the income statement*

(Amounts 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 (1) | 1.777 | 2.358 |
| Bank Social Aid Fund Deficit Provision | - | - |
| Impairment Expenses of Fixed Assets | - | - |
| Depreciation Expenses of Fixed Assets | 17.696 | 5.185 |
| Impairment Expenses of Intangible Assets | - | - |
| Impairment Expense of Goodwill | - | - |
| Amortization Expenses of Intangible Assets | 1.887 | 1.219 |
| Impairment on Subsidiaries Accounted for Under Equity Method | - | - |
| Impairment on Assets for Resale | - | - |
| Depreciation Expenses of Assets Held for Resale | - | - |
| Impairment Expenses of Assets Held for Sale | - | - |
| Other Operating Expenses | 42.866 | 43.376 |
| Rent Expenses | 1.108 | 3.405 |
| Maintenance Expenses | 2.178 | 1.454 |
| Advertisement Expenses | 1.469 | 970 |
| Other Expenses | 38.111 | 37.547 |
| Loss on Sales of Assets | - | - |
| Other (2) | 34.791 | 26.560 |
| **Total** | **99.017** | **78.698** |

*(1) Includes the distribution of profit share to the employees in accordance with TAS 19 "Employee Benefits"*
*(2) It contains vacation liability expenses amounting TL 701.*

### 8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2019, profit before tax of the Group has increased by 2% as compared to the prior period (31 December 2018: 23,53% increase). In comparison with the prior period, the Group's net interest income has increased by 11% (31 December 2018: 69,64% increase).

### 9. Information on tax provision for continued and discontinued operations

### 9.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Group's current tax charge for the period is TL 286.837 (31 December 2018: TL 147.709). Deferred tax income is TL 89.505 (31 December 2018: TL 102.674 loss).

### 9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax income calculated on temporary differences is TL 89.505 (31 December 2018: TL 102.674 loss).

(Amounts 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 (continued)**

**9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:**

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2018: None)

**10. Explanations on net profit/loss from continued and discontinued operations:**

As of 31 December 2019, the Group's profit before tax has increased by 10,99% compared to the prior period.

**11. Information on net profit/loss**

**11.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Group has generated TL 3.313.001 of interest income, TL 1.401.717 of interest expenses and TL 65.103 of net fee and commission income from banking operations (31 December 2018: TL 3.110.109 interest income, TL 1.381.191 interest expense, TL 51.398 net fee and commission income).

**11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There has no change in the accounting estimates and accordingly effect on the financial statement items. (31 December 2018: None).

**11.c Minority share of profit and loss:**

The current year income attributable to minority shares is TL 5.637 (31 December 2018: TL 7.493 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 38.090 (31 December 2018: TL 38.622).

**12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below**

| | **Current Period** | **Prior Period** |
|---|---|---|
| Gains on Other Fees and Commissions | | |
| Gains on Brokerage Commissions | 38.201 | 34.678 |
| Commissions from Initial Public Offering | 778 | 1.311 |
| Investment Fund Management Income | 2.713 | 2.113 |
| Other | 12.062 | 4.895 |
| **Total** | **53.754** | **42.997** |

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### V. Explanations related to consolidated statement of changes in shareholders' equity

#### 1. Information related to capital

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 306.633 Extraordinary legal reserves is TL 841.395.

#### 2. Accumulated other comprehensive income or loss not reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

#### 3. Accumulated other comprehensive income or loss reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive imcome and related to revaluation differences of fair value through other comprehensive income.

## 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 80.871 consists of gain from sale of assets and non-interest income (31 December 2018: TL 78.663 other income consists of other income, gain from sale of assets and non-interest income.)

Other caption in changes in assets and liabilities from banking operations amounting to TL 382.647 (31 December 2018: TL 587.296) consists of derivative financial transaction losses, other operating expenses, except employee termination benefits provision and depreciation expense and taxes paid, fees and commissions paid and foreign exchange gain and loss.

In the current period, net increase/decrease in other assets amounting to TL 310.064 (31 December 2018: TL 392.290) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 577.683 (31 December 2018: TL 912.283) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 4.354 (31 December 2018: TL 45.970).

#### 2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

In the current period, the Group invested TL 9.698 in tangible fixed assets and properties and invested TL 2.080 in intangible fixed assets. The Parent Bank provided cash participation to share capital of its subsidiaries amounting TL 990 in current period.

In the prior period, the Group invested Tl 4.924 in tangible fixed assets and properties and invested TL 2.543 in intangible fixed assets. The Parent Bank provided cash participation to share capital of its subsidiaries amounting TL 3.000 in prior period.

#### 3. Information about disposal of associates, subsidiaries, and other investments:

In the current period, the Group has generated a cash inflow of TL 2.326 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 94 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

(Amounts 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

### 4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

| | Beginning of the Current Period | Beginning of the Prior Period |
|---|---|---|
| Cash | 29 | 24 |
| Cash Equivalents | 1.385.796 | 504.224 |
| **Total** | **1.385.825** | **504.248** |

Cash and cash equivalents at the end of period:

| | End of the Current Period | End of the Prior Period |
|---|---|---|
| Cash | 29 | 29 |
| Cash Equivalents | 779.773 | 1.385.796 |
| **Total** | **779.802** | **1.385.825** |

### 5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 796.067 (31 December 2018: TL 730.273) in Turkish Republic Central Bank represent of Turkish Lira, foreign currency and gold reserve requirements of the Parent Bank.

### 6. Additional information related to financial position and liquidity

### 6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

### 6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

(Amounts 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 | Subsidiaries and Associates | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|---|---|---|---|---|---|---|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 437.232 | 262 | 102.776 | - | 59.858 | - |
| Balance at the end of the period | 545.560 | 27.938 | 118.394 | - | 39.529 | - |
| Interest and commission income received | 17.827 | 761 | 7.453 | - | 3.578 | - |

**1.b Prior period:**

| Risk Group of the Parent Bank | Subsidiaries and Associates | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|---|---|---|---|---|---|---|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 257.470 | 262 | - | - | 76.931 | - |
| Balance at the end of the period | 437.232 | 262 | 102.776 | - | 59.858 | - |
| Interest and commission income received | 25.205 | 871 | 76 | - | 5.823 | - |

**1.c Information on deposit held by Parent Bank's own risk group:**

The Parent Bank is not authorized to accept deposits.

**2. Information on forward and option agreements and other similar agreements made with related parties**

| Risk Group of the Parent Bank | Subsidiaries and Associates | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|---|---|---|---|---|---|---|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Fair Value Through Profit or Loss Transactions | | | | | | |
| Beginning of the Period | 364.732 | 444.536 | - | - | 131.758 | - |
| End of the Period | - | 364.732 | - | - | - | 131.758 |
| Total Profit / Loss | (20.179) | (356.617) | - | - | (2.231) | (1.906) |
| **Hedging Risk Transactions** | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Profit / Loss | - | - | - | - | - | - |

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to key management personnel in the current period amount to TL 19.837 (31 December 2018: TL 16.846).

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank

### 1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group

| | Number | Number of Employees | | | |
|---|---|---|---|---|---|
| Domestic branches (1) | 2 | 375 | | | |
| | | | Country of Incorporation | | |
| Foreign representations | - | - | | | |
| | | | | Total Asset | Statutory Share Capital |
| Foreign branches | - | - | | - | - |
| Off-shore banking region branches | - | - | | - | - |

(1) Consolidated subsidiaries have 9 branches and 131 personnels which are not presented in the table.

### 2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches (31 December 2018: None).

# SECTION SIX

## OTHER EXPLANATIONS

### I. Other explanations related to the operations of the Parent Bank

### 1.a Brief information related to rating carried out by international rating firms:

**FITCH RATINGS**

| | |
|---|---|
| Long-term Maturity Foreign Currency (issuer) | B+ |
| Long-term Maturity Foreign Currency Outlook (issuer) | Stable |
| Short-term Maturity Foreign Currency (issuer) | B |
| | |
| Long-term Maturity National Currency (issuer) | BB- |
| Long-term Maturity National Currency Outlook (issuer) | Stable |
| Short-term Maturity National Currency (issuer) | B |
| | |
| Support Note | 4 |
| 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 12 November 2019 and determined Bank's "Financial Capacity Note''.

**MOODY'S**

| | |
|---|---|
| Reference Financial Rating Note | caa1 |
| **Foreign Currency (issuer)** | |
| Long-term Maturity | B3 |
| Outlook | Negative |
| Short-term Maturity | NP |
| **Domestic Currency (issuer)** | |
| Long-term Maturity | B3 |
| Outlook | Negative |
| Short-term Maturity | NP |
| **Unsecured Debt-Foreign Currency (issuer)** | |
| Long-term Maturity | B3 |
| Outlook | Negative |
| Foreign Currency/Domestic Currency MTN Note | (P) B3 |

Information above represents updated information as of 18 June 2019.

## SECTION SIX (Continued)

### OTHER EXPLANATIONS (Continued)

### I. Other explanations related to the operations of the Parent Bank (continued)

#### 1.b Informations on corporate governance rating of the Parent Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,58% (9,56 over 10) as of 18 October 2019. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,37 (Weight: 35%) over 10 respectively.

### II. Other explanations related to the events after the reporting date

The Bank issued debt instrument in abroad which have nominal value of full USD 400 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 23 January 2020, was determined as 23 January 2025 and the coupon rate was 6%.

## SECTION SEVEN

### AUDITORS' REPORT

### I. Explanations on the auditors' report

The consolidated financial statements as of and for the year ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 3 February 2020 is presented in the introduction of this report.

### II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group's operation.