

Türkiye Sınai Kalkınma Bankası Anonim Şirketi

Publicly announced unconsolidated financial statements and related disclosures at June 30, 2019 together with auditor's review report and interim activity report

Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

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

INTERIM REVIEW REPORT

To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

Introduction

We have reviewed the unconsolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") at 30 June 2019 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Basis for Qualified Conclusion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 30 June 2019 include a free provision at an amount of TL 240.000 thousands, of which TL 20.000 thousands and TL 220.000 thousands was provided in current and 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' income/losses" as of 30 June 2019 is understated by TL 220.000 thousands and the "pretax income" is understated by TL 20.000 thousands.

Qualified Conclusion

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. at 30 June 2019 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with "BRSA Accounting and Financial Reporting Legislation" and the 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 unconsolidated 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.

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



2 August 2019
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

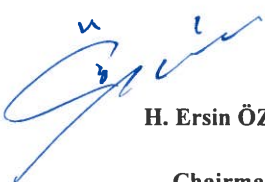
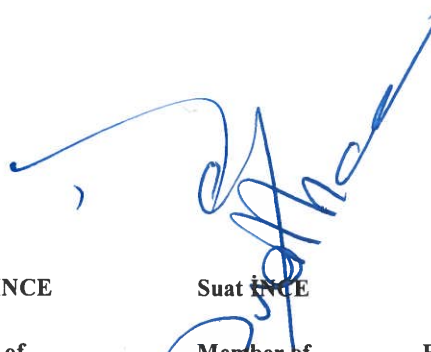
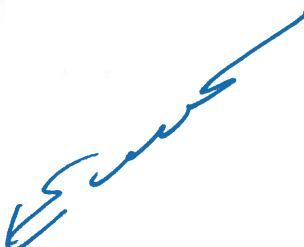



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The unconsolidated financial report for the six months includes the following sections in accordance with “Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced” as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT
- INTERIM REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the six months, 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 reviewed and presented as attached.

2 August 2019

			
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 : Ayşe Nazlıca / Head of Financial Institutions and Investor Relations
Telephone Number : (212) 334 51 94

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. The Bank's incorporation date, beginning status, changes in the existing status

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Bank is "Development and Investment Bank". The Bank does not have the license of "Accepting Deposit". Since the establishment date of the Bank, there is no change in its "Development and Investment Bank" status.

II. Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Bank are as follows:

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	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	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	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 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 38,60% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank

The Chairman and The Members of Board of Directors:

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, Project Finance, Corporate Communication
Ece Börü	Executive Vice President – Loans, Loan Monitoring, Financial Control, Budget Planning
Hakan Aygen	Executive Vice President – Corporate Finance
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 his 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 1 April 2019.

According to the Organizational Structure of the Bank which was effective as of 1 April 2019, Economic Research, Engineering and Technical Consultancy, Financial Consultancy, Business Development and Consultancy Departments are under the Director of Consultancy under the General Manager. Mr. Melih Yalçın was appointed as the Director of Consultancy.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş., Terme Metal Sanayi ve Ticaret A.Ş. and Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. are not consolidated since they are not in scope of financial institutions according to related Communiqué.

The Bank and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Yatırım Finansman Menkul Değerler A.Ş. :

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods (continued)

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 87,77%. The company's headquarters is located at Istanbul/Turkey.

İş Finansal Kiralama A.Ş. :

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

İş Faktoring A.Ş. :

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The company's headquarters is located at Istanbul/Turkey.

VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

Written policies of the Bank related to compliance to publicly disclosed obligations of the Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

The Bank's Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the Bank's corporate website.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2019

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

ASSETS	Section 5 Note I	Reviewed Current Period 30 June 2019			Audited Prior Period 31 December 2018 (*)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		4.279.538	3.738.650	8.018.188	3.537.343	3.060.212	6.597.555
1.1 Cash and Cash Equivalents		1.209.708	1.727.629	2.937.337	600.231	1.339.731	1.939.962
1.1.1 Cash and Balances with Central Bank	(1)	16.471	910.823	927.294	6.349	736.875	743.224
1.1.2 Banks	(3)	66.463	817.108	883.571	20.650	603.104	623.754
1.1.3 Money Market Placements		1.126.798	-	1.126.798	573.252	-	573.252
1.1.4 Expected Credit Losses (-)		24	302	326	20	248	268
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	-	311.845	311.845	-	290.660	290.660
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	311.845	311.845	-	290.660	290.660
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.287.725	1.365.337	3.653.062	2.180.963	1.207.814	3.388.777
1.3.1 Government Debt Securities		2.096.348	1.319.338	3.415.686	2.008.419	1.165.034	3.173.453
1.3.2 Equity Instruments		24.983	44.838	69.821	20.958	41.778	62.736
1.3.3 Other Financial Assets		166.394	1.161	167.555	151.586	1.002	152.588
1.4 Derivative Financial Assets	(2)	782.105	333.839	1.115.944	756.149	222.007	978.156
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		782.105	333.839	1.115.944	756.149	222.007	978.156
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		5.961.409	25.887.739	31.849.148	5.589.482	23.989.476	29.578.958
2.1 Loans	(5)	4.260.165	25.908.048	30.168.213	3.949.733	23.851.985	27.801.718
2.2 Lease Receivables	(10)	-	123.244	123.244	-	133.929	133.929
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	1.787.919	469.110	2.257.029	1.735.521	419.420	2.154.941
2.4.1 Government Debt Securities		1.787.919	469.110	2.257.029	1.735.521	419.420	2.154.941
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		86.675	612.663	699.338	95.772	415.858	511.630
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	1	-	1	1	-	1
3.1 Held for Sale Purpose		1	-	1	1	-	1
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		979.707	-	979.707	1.322.466	-	1.322.466
4.1 Investments in Associates (Net)	(7)	701.911	-	701.911	1.017.509	-	1.017.509
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		701.911	-	701.911	1.017.509	-	1.017.509
4.2 Subsidiaries (Net)	(8)	277.796	-	277.796	304.957	-	304.957
4.2.1 Unconsolidated Financial Subsidiaries		274.017	-	274.017	301.178	-	301.178
4.2.2 Unconsolidated Non-Financial Subsidiaries		3.779	-	3.779	3.779	-	3.779
4.3 Entities under Common Control (Joint Venture) (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(12)	95.094	-	95.094	60.646	-	60.646
VI. INTANGIBLE ASSETS (Net)	(13)	2.947	-	2.947	3.125	-	3.125
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		2.947	-	2.947	3.125	-	3.125
VII. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(15)	19.809	-	19.809	3.535	-	3.535
X. OTHER ASSETS (Net)	(17)	112.740	552.972	665.712	80.779	651.046	731.825
TOTAL ASSETS		11.451.245	30.179.361	41.630.606	10.597.377	27.700.734	38.298.111

(*) 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 statements.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2019

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

		Reviewed Current Period 30 June 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)	121.975	25.524.502	25.646.477	127.007	23.449.011	23.576.018
III.	MONEY MARKET BALANCES		69.058	198.647	267.705	41.543	137.458	179.001
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	7.901.266	7.901.266	-	6.949.189	6.949.189
4.1	Bills		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	7.901.266	7.901.266	-	6.949.189	6.949.189
V.	BORROWER FUNDS		2.173	39.435	41.608	2.408	30.121	32.529
5.1	Borrower Funds		2.173	39.435	41.608	2.408	30.121	32.529
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	319.522	282.682	602.204	442.269	350.050	792.319
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		319.522	282.682	602.204	442.269	350.050	792.319
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	37.719	-	37.719	-	-	-
X.	PROVISIONS	(7)	256.442	9.958	266.400	247.284	10.292	257.576
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		14.280	-	14.280	12.089	-	12.089
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		242.162	9.958	252.120	235.195	10.292	245.487
XI.	CURRENT TAX LIABILITY	(8)	101.890	-	101.890	91.846	-	91.846
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)	-	1.785.961	1.785.961	-	1.549.774	1.549.774
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	1.785.961	1.785.961	-	1.549.774	1.549.774
XV.	OTHER LIABILITIES		118.200	65.649	183.849	121.059	29.796	150.855
XVI.	SHAREHOLDERS' EQUITY		4.862.395	(66.868)	4.795.527	4.788.438	(69.434)	4.719.004
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		374	-	374	374	-	374
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		374	-	374	374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		501.884	1.325	503.209	843.954	5.756	849.710
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(35.194)	(68.193)	(103.387)	(71.166)	(75.190)	(146.356)
16.5	Profit Reserves		1.215.276	-	1.215.276	518.691	-	518.691
16.5.1	Legal Reserves		303.070	-	303.070	270.024	-	270.024
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		833.645	-	833.645	170.106	-	170.106
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		380.055	-	380.055	696.585	-	696.585
16.6.1	Prior Years' Profit/Loss		-	-	-	35.659	-	35.659
16.6.2	Current Year Profit/Loss		380.055	-	380.055	660.926	-	660.926
TOTAL LIABILITIES AND EQUITY			5.889.374	35.741.232	41.630.606	5.861.854	32.436.257	38.298.111

(*) 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 statements.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET
AS OF 30 JUNE 2019

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

		Reviewed Current Period 30 June 2019			Audited Prior Period 31 December 2018		
Section 5							
OFF BALANCE SHEET		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,318,349	59,344,544	68,662,893	9,601,673	54,896,234	64,497,907
I. GUARANTEES AND COLLATERALS	(1)	421,844	3,401,795	3,823,639	487,947	2,685,862	3,173,809
1.1 Letters of Guarantee		421,844	1,279,062	1,700,906	487,947	1,095,048	1,582,995
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		421,844	1,279,062	1,700,906	487,947	1,095,048	1,582,995
1.2 Bank Acceptances		-	128,461	128,461	-	-	-
1.2.1 Import Letter of Acceptance		-	128,461	128,461	-	-	-
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	1,994,272	1,994,272	-	1,590,814	1,590,814
1.3.1 Documentary Letters of Credit		-	1,994,272	1,994,272	-	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 Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	866,169	2,763,284	3,629,453	469,766	2,621,343	3,091,109
2.1 Irrevocable Commitments		633,702	746,862	1,380,564	232,991	358,418	591,409
2.1.1 Forward Asset Purchase and Sale Commitments		382,234	424,147	806,381	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		400	105,522	105,922	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		251,068	217,193	468,261	203,235	193,329	396,564
2.2 Revocable Commitments		232,467	2,016,422	2,248,889	236,775	2,262,925	2,499,700
2.2.1 Revocable Loan Granting Commitments		232,467	2,016,422	2,248,889	236,775	2,262,925	2,499,700
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	8,030,336	53,179,465	61,209,801	8,643,960	49,589,029	58,232,989
3.1 Derivative Financial Instruments for Hedging Purposes		-	20,204,617	20,204,617	-	18,028,129	18,028,129
3.1.1 Fair Value Hedge		-	20,204,617	20,204,617	-	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		8,030,336	32,974,848	41,005,184	8,643,960	31,560,900	40,204,860
3.2.1 Forward Foreign Currency Buy/Sell Transactions		1,231,229	1,182,921	2,414,150	1,819,934	1,981,015	3,800,949
3.2.1.1 Forward Foreign Currency Transactions-Buy		680,719	540,208	1,220,927	974,149	964,311	1,938,460
3.2.1.2 Forward Foreign Currency Transactions-Sell		550,510	642,713	1,193,223	845,785	1,016,704	1,862,489
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		4,740,653	29,462,240	34,202,893	4,260,046	26,861,956	31,122,002
3.2.2.1 Foreign Currency Swap-Buy		615,537	7,648,220	8,263,757	827,263	6,479,239	7,306,502
3.2.2.2 Foreign Currency Swap-Sell		4,125,116	3,785,124	7,910,240	3,432,783	3,670,711	7,103,494
3.2.2.3 Interest Rate Swap-Buy		-	9,014,448	9,014,448	-	8,356,003	8,356,003
3.2.2.4 Interest Rate Swap-Sell		-	9,014,448	9,014,448	-	8,356,003	8,356,003
3.2.3 Foreign Currency, Interest Rate, and Securities Options		2,058,454	2,316,234	4,374,688	2,563,980	2,704,528	5,268,508
3.2.3.1 Foreign Currency Options-Buy		1,029,227	1,158,117	2,187,344	1,281,990	1,352,264	2,634,254
3.2.3.2 Foreign Currency Options-Sell		1,029,227	1,158,117	2,187,344	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		-	13,453	13,453	-	13,401	13,401
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		69,370,080	411,568,945	480,939,025	69,544,760	361,651,050	431,195,810
IV. ITEMS HELD IN CUSTODY		152,411	320,006	472,417	114,936	222,460	337,396
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		75,161	320,006	395,167	63,577	221,641	285,218
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		77,002	-	77,002	51,229	-	51,229
V. PLEDGES ITEMS		49,979,201	239,300,848	289,280,049	50,393,171	208,821,948	259,215,119
5.1 Marketable Securities		471,248	13,868,372	14,339,620	484,248	12,637,631	13,121,879
5.2 Guarantee Notes		77,921	3,535,464	3,613,385	72,616	3,179,739	3,252,355
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3,350,181	62,336,761	65,686,942	3,232,486	56,825,467	60,057,953
5.6 Other Pledged Items		46,079,851	159,560,251	205,640,102	46,603,821	136,179,111	182,782,932
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		19,238,468	171,948,091	191,186,559	19,036,653	152,606,642	171,643,295
TOTAL OFF BALANCE SHEET ITEMS (A+B)		78,688,429	470,913,489	549,601,918	79,146,433	416,547,284	495,693,717

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD
THEN ENDED 30 JUNE 2019

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

		Reviewed Current Period 1 January 2019 – 30 June 2019	Reviewed Prior Period 1 January 2018(*) 30 June 2018(*)	Reviewed Current Period 1 April 2019 – 30 June 2019	Reviewed Prior Period 1 April 2018 – 30 June 2018(*)
STATEMENT OF PROFIT OR LOSS					
Section 5					
I. INTEREST INCOME	(1)	1.768.717	1.234.933	902.583	667.586
1.1 Interest on Loans		1.183.055	916.395	627.299	505.648
1.2 Interest Received from Reserve Deposits		5.357	4.386	3.132	2.373
1.3 Interest Received from Banks		27.546	18.231	16.635	6.436
1.4 Interest Received from Money Market Placements		197.595	51.601	84.381	25.043
1.5 Interest Received from Marketable Securities Portfolio		347.502	239.673	168.482	125.253
1.5.1 Fair Value through Profit or Loss		3	20	3	12
1.5.2 Fair Value through other Comprehensive Income		219.740	153.401	112.427	81.906
1.5.3 Measured at Amortized Cost		127.759	86.252	56.052	43.335
1.6 Finance Lease Interest Income		3.377	2.533	1.612	1.491
1.7 Other Interest Income		4.285	2.114	1.042	1.342
II. INTEREST EXPENSES (-)	(2)	744.839	559.253	389.301	304.605
2.1 Interest on Deposits		-	-	-	-
2.2 Interest on Funds Borrowed		342.549	232.444	179.439	131.806
2.3 Interest on Money Market Borrowings		103.231	114.927	55.799	56.529
2.4 Interest on Securities Issued		292.078	211.403	150.666	116.011
2.5 Leasing Interest Expense		4.869	-	2.399	-
2.6 Other Interest Expense		2.112	479	998	259
III. NET INTEREST INCOME (I - II)		1.023.878	675.680	513.282	362.981
IV. NET FEES AND COMMISSIONS INCOME / EXPENSES		12.989	8.519	5.239	3.818
4.1 Fees and Commissions Received		16.624	12.014	7.557	5.643
4.1.1 Non-cash Loans		11.614	10.308	5.891	4.916
4.1.2 Other		5.010	1.706	1.666	727
4.2 Fees and Commissions Paid (-)		3.635	3.495	2.318	1.825
4.2.1 Non-cash Loans		550	476	298	238
4.2.2 Other		3.085	3.019	2.020	1.587
V. DIVIDEND INCOME	(3)	7.076	3.699	1.219	904
VI. NET TRADING INCOME	(4)	(229.108)	(66.349)	(140.721)	(48.282)
6.1 Securities Trading Gains / (Losses)		451	1.333	210	244
6.2 Derivative Financial Instruments Gains / Losses		(224.072)	87.038	(286.019)	83.269
6.3 Foreign Exchange Gains / Losses (Net)		(5.487)	(154.720)	145.088	(131.795)
VII. OTHER OPERATING INCOME	(5)	26.890	153.881	5.058	64.403
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)		841.725	775.430	384.077	383.824
IX. EXPECTED CREDIT LOSSES (-)	(6)	234.831	242.236	84.821	148.434
X. OTHER PROVISION EXPENSES (-)	(6)	20.000	-	-	-
XI. PERSONNEL EXPENSES (-)		63.452	53.073	32.844	26.955
XII. OTHER OPERATING EXPENSES (-)	(7)	35.840	28.134	16.930	14.208
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		487.602	451.987	249.482	194.227
XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XV. PROFIT / (LOSS) ON EQUITY METHOD		-	-	-	-
XVI. GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		487.602	451.987	249.482	194.227
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	107.547	127.469	54.649	28.577
18.1 Provision for Current Income Taxes		134.541	63.511	91.309	27.750
18.2 Deferred Tax Income Effect (+)		133.326	90.099	42.240	17.406
18.3 Deferred Tax Expense Effect (-)		160.320	26.141	78.900	16.579
XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	380.055	324.518	194.833	165.650
XX. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income on Assets Held for Sale		-	-	-	-
20.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
20.3 Income on Other Discontinued Operations		-	-	-	-
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)	(10)	380.055	324.518	194.833	165.650
Earning / (loss) per share		0,136	0,116	0,070	0,059

(*) 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 statements.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2019**

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

	Reviewed Current Period 1 January 2019 – 30 June 2019	Reviewed Prior Period 1 January 2018 – 30 June 2018
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. CURRENT PERIOD INCOME / LOSS	380.055	324.518
II. OTHER COMPREHENSIVE INCOME	(303.532)	(143.380)
2.1 Not Reclassified Through Profit or Loss	(346.501)	-
2.1.1 Property and Equipment Revaluation Increase / Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain / Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(346.501)	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Reclassified Through Profit or Loss	42.969	(143.380)
2.2.1 Foreign Currency Translation Differences	4.106	4.510
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	49.583	(186.676)
2.2.3 Cash Flow Hedge Income / Loss	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	(2.123)
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(10.720)	40.909
III. TOTAL COMPREHENSIVE INCOME (I+II)	76.523	181.138

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 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 – 30 June 2018																		
I.	Prior Period End Balance		2.400.000	-	-	374	32.571	173	-	7.847	(32.745)	98.301	432.528	595.668	-	3.534.717	-	3.534.717
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	(79.003)	140.875	57.808	-	119.680	-	119.680
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	(79.003)	140.875	57.808	-	119.680	-	119.680
III.	Adjusted Beginning Balance (I+II)		2.400.000	-	-	374	32.571	173	-	7.847	(32.745)	19.298	573.403	653.476	-	3.654.397	-	3.654.397
IV.	Total Comprehensive Income		-	-	-	-	-	-	-	4.510	(145.767)	(2.123)	-	-	324.518	181.138	-	181.138
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		-	-	-	-	-	-	-	-	-	-	22.149	(22.149)	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	86.163	(195.668)	-	(109.505)	-	(109.505)
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.163	(85.803)	-	360	-	360
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance			2.800.000	-	-	374	32.571	173	-	12.357	(178.512)	17.175	681.715	35.659	324.518	3.726.030	-	3.726.030

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4.Foreign Currency Transition Differences

5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 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 – 30 June 2019																																			
I.	Prior Period End Balance		2.800.000	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	696.585	-	4.719.004	-	4.719.004																	
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	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	696.585	-	4.719.004	-	4.719.004																	
IV.	Total Comprehensive Income		-	-	-	-	-	-	(346.501)	4.106	38.863	-	-	-	380.055	76.523	-	76.523																	
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																	
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-																	
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																	
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-																	
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																	
Period-End Balance			2.800.000	-	-	374	40.908	(349)	462.650	19.810	(123.197)	-	1.215.276	-	380.055	4.795.527	-	4.795.527																	

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4.Foreign Currency Translition Differences

5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2019

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

	Note	Reviewed Current Period 30 June 2019	Reviewed Prior Period 30 June 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		723.761	658.149
1.1.1 Interest Received		1.561.756	803.037
1.1.2 Interest Paid		(745.971)	(577.672)
1.1.3 Dividends Received		7.076	3.699
1.1.4 Fees and Commissions Received		16.624	12.014
1.1.5 Other Income		2.431	2.971
1.1.6 Collections from Previously Written off loans		33.511	-
1.1.7 Payments to Personnel and Service Suppliers		(74.643)	(51.392)
1.1.8 Taxes Paid		(128.684)	(80.121)
1.1.9 Others		51.661	545.613
1.2 Changes in Operating Assets and Liabilities		123.449	(1.483.520)
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		1.063.261	(884.992)
1.2.4 Net (Increase) (Decrease) in Other Assets		(174.327)	(418.644)
1.2.5 Net (Increase) (Decrease) in Bank Deposits		-	-
1.2.6 Net (Increase) (Decrease) in Other Deposits		-	-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-	-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		(753.314)	49.958
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		(12.171)	(229.842)
I. Net Cash Provided by / (used in) Banking Operations		847.210	(825.371)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by / (used in) Investing Activities		(38.936)	(179.386)
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		-	-
2.3 Purchases of Property and Equipment		(2.855)	(727)
2.4 Disposals of Property and Equipment		2.184	-
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(390.038)	(506.923)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		352.398	328.833
2.7 Purchase of Financial Assets Measured at Amortized Cost		-	-
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Others		(625)	(569)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by / (used in) Financing Activities		(7.974)	1.208.725
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-	1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	(109.865)
3.5 Payments for Leases		(7.974)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		10.426	12.267
V. Net Increase / (Decrease) in Cash and Cash Equivalents		810.726	216.235
VI. Cash and Cash Equivalents at Beginning of the Period		1.202.110	20.176
VII. Cash and Cash Equivalents at End of the Period		2.012.836	236.411

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated 1 February 2019 which include Turkish Accounting Standard 34 "Interim Financial Reporting" principles.

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

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

The accounting policies and valuation principles used in the 2019 period are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

The format and content of the accompanying unconsolidated financial statements and footnotes have been prepared in accordance with the "Communiqué" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communiqué on Disclosures About Risk Management to be Announced to Public by Banks."

The accompanying unconsolidated financial statements and the explanatory footnotes, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL").

Additional paragraph for convenience translation to English

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

I.b Changes in accounting policies and disclosures

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

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. The mentioned standard has a transition effect amounting to TL 40.824 in "tangible assets" and "lease liability" in the Bank's financial statements.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (continued)

I.b Changes in accounting policies and disclosures (continued)

As of 30 June 2019 The Bank recognized right of use asset classified under tangible assets amounting to TL 35.739, lease liability amounting to TL 37.719 and amortization expenses amounting to TL 5.085 TL. 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.

Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

Lease Liabilities

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

The lease payments include

- a) fixed payments (including in-substance fixed payments) less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate,
- c) amounts expected to be paid under residual value guarantees.
- d) the exercise price of a purchase option reasonably certain to be exercised by the Company / the Group and payments of penalties for terminating a lease,
- e) if the lease term reflects the Company / the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company / the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- a) The book value is increased to reflect the accretion of interest of lease liabilities
- b) The book value is reduced to reflect the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (continued)

I.b Changes in accounting policies and disclosures (continued)

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

I.d The accounting policies for the correct understanding of the financial statements

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

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

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

Due to the fact that the great majority of the loans extended by the Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government 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 Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognized under the statement of profit/loss.

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency fair value through other comprehensive income securities:

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources. The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

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

III. Explanations on forward and option contracts and derivative instruments

The Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Bank are foreign currency forwards, swaps and option agreements. The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

III. Explanations on forward and option contracts and derivative instruments

In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

When a derivative financial instrument, is originally designed as a hedge by the Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The Bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

IV. Explanations on associates and subsidiaries

Financial subsidiaries and Investments in associates are taken into the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard within the framework TFRS 9 "Financial Instruments: Turkish Financial Reporting Standards". Non financial subsidiaries and associates are presented in the financial statements in accordance with the "TAS 27-Separate Financial Statements" standard with their cost values after the deduction of, if any, impairment losses.

V. Explanations on interest income and expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount.

Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on fees and commission income and expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

VII. Explanations on financial assets

Initial recognition of financial instruments

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The bank tested all financial assets within the scope of TFRS 9 "whether the contractual cash flows arise solely from interest and capitals" and assessed the asset classification within the business model.

Assessment of business model

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models are divided into three categories.

Business model whose aimed to hold assets in order to collect contractual cash flows:

This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Receivables from Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Business model aimed to collect contractual cash flows and sell financial assets:

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at fair value through other comprehensive income are assessed in this business model.

Other business models:

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss and derivative financial assets are assessed in this business model.

Measurement categories of financial assets and liabilities

Financial assets are classified 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 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)

VII. Explanations on financial assets (continued)

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

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

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

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

c. Financial Assets Measured at Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement. In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds. The Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

d. Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of " All cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

VIII. Explanations on impairment of financial assets

As of 1 January 2018, the Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income , loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans". TFRS 9 impairment requirements are not eligible for equity instruments.

At each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition is assessed. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

Calculation of expected credit losses

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Within the scope of TFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under TFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate /specilization)
- Product type
- Credit risk rating notes (ratings)
- 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.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Stage 3:

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

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

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

Debt instruments measured at fair value through other comprehensive income

As of 1 January 2018, the impairment requirements are applies for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with IFRS 9. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

Significant increase in credit risk

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

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on offsetting, derecognition and restructuring of financial instruments

a. Offsetting of financial instruments

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

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset.

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

c. Reclassification of financial instruments

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

The Bank's reclassification details of financial assets are presented in Section 3, Note VII.

d. Restructuring and refinancing of financial instruments

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

X. Explanations on sales and repurchase agreements and lending of securities

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

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

XI. Explanations on assets held for sale and discontinued operations

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

Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entry remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

XIII. Explanations on tangible assets

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

As of the third quarter of 2015, the Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts. The positive difference between appraisement value and net book value of the property is accounted under shareholder' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on tangible assets (continued)

Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

XIV. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

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

XV. Explanations on provisions and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Bank discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

Explanations on contingent assets

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred. Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits

Bank calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19. Employees of the Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

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

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

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

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

In accordance with the Health and Safety Law numbered 6645 which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2018 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 15 January 2019. There is no need for technical or actual deficit to book provision as of 31 December 2018. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

XVII. Explanations on taxation

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

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

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

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

Transfer pricing

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

XVIII. Additional explanations on borrowings

The Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed.

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

XIX. Explanations on share certificates issued

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

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

XX. Explanations on acceptances

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

XXI. Explanations on government incentives

The Bank does not use government incentives.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting

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

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided. The segmental allocation of the Bank's net profit, total assets and total liabilities are shown below.

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	344.657	679.221	-	1.023.878
Net Fees and Commission Income	11.172	1.817	-	12.989
Other Income	3.466	-	30.500	33.966
Other Expense	(245.099)	(243.050)	(95.082)	(583.231)
Profit Before Tax	114.196	437.988	(64.582)	487.602
Tax Provision				(107.547)
Net Profit				380.055
Current Period				
Segment Assets	29.906.192	9.834.614	910.093	40.650.899
Investment in Associates and Subsidiaries	-	-	979.707	979.707
Total Assets	29.906.192	9.834.614	1.889.800	41.630.606
Segment Liabilities	34.579.314	1.022.095	1.233.670	36.835.079
Shareholders' Equity	-	-	4.795.527	4.795.527
Total Liabilities	34.579.314	1.022.095	6.029.197	41.630.606

Prior Period (1)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	316.925	358.755	-	675.680
Net Fees and Commission Income	9.742	(1.223)	-	8.519
Other Income	-	-	157.580	157.580
Other Expense	(181.020)	(77.969)	(130.803)	(389.792)
Profit Before Tax	145.647	279.563	26.777	451.987
Tax Provision				(127.469)
Net Profit				324.518
Prior Period (2)				
Segment Assets	27.716.305	8.397.472	861.868	36.975.645
Investment in Associates and Subsidiaries	-	-	1.322.466	1.322.466
Total Assets	27.716.305	8.397.472	2.184.334	38.298.111
Segment Liabilities	31.320.591	933.391	1.325.125	33.579.107
Shareholders' Equity	-	-	4.719.004	4.719.004
Total Liabilities	31.320.591	933.391	6.044.129	38.298.111

(1) Includes information for the period 30 June 2018.

(2) Includes information for the period 31 December 2018.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on other matters

1. Changes Related to Previous Period Financial Statements

Effects of the change of TAS 27

According to Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements” an option was recognized to account to cost of assets investments of subsidiaries, joint ventures and associates while applying TFRS 9 “Financial Instruments” standart or Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method.

As of 1 January 2018, the Bank has started to account its financial subsidiaries and associates using the equity method defined in TAS 28, Investments in Associates and Joint Ventures, and prepared the financial statements as of 31 March 2018 and 30 June 2018 in accordance with this standard.

Considering the temporary negative effects of the fluctuations in foreign exchange markets on the net operating profit of the subsidiaries and associates, as of 31 August 2018 the equity method application has been withdrawn and it has been decided to be valued at fair value in accordance with TFRS 9 standards. The carrying amount of the financial subsidiaries and associates is measured at fair value in accordance with TFRS 9, and the valuation difference is recognized in “Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss” in the financial statements of the Bank. Therefore, restatement in the financial statements as of 31 March 2018 and 30 June 2018 has been withdrawn.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to shareholders' equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2019, the capital adequacy ratio of Bank has been calculated as 16,44% (31 December 2018: 16,20%).

	Current Period	Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	1.215.276	518.691
Other comprehensive income according to TAS	642.707	942.117
Profit	380.055	696.585
Current Period Profit	380.055	660.926
Prior Period Profit	-	35.659
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	13.258
Core Equity Tier 1 Capital Before Deductions	5.038.412	4.971.025
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st 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	242.885	252.021
Leasehold improvements on operational leases	2.889	3.625
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	2.947	3.125
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	234.881	556.914
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier 1 Capital	483.602	815.685
Core Equity Tier I Capital	4.554.810	4.155.340
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
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 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
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)	4.554.810	4.155.340
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	1.731.000	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)	481.690	359.752
Tier II Capital Before Deductions	2.212.690	1.900.252
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.	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Total of net long positions of the investments in 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	2.212.690	1.900.252
Total Capital (The sum of Tier I Capital and Tier II Capital)	6.767.500	6.055.592
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)	6.767.500	6.055.592
Total Risk Weighted Assets	41.172.389	37.368.844
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	11,06	11,12
Tier I Capital Adequacy Ratio (%)	11,06	11,12
Capital Adequacy Ratio (%)	16,44	16,20
BUFFERS		
Total buffer requirement (a+b+c)	2,511	1,883
a. Capital conservation buffer requirement (%)	2,500	1,875
b. Bank specific counter-cyclical buffer requirement (%)	0,011	0,008
c. 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	5,06	5,12
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	478.969	471.226
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholder's equity (continued)

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	534.365	359.752
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	481.690	359.752
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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 Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

Explanations on the reconciliation between amounts related to equity items and on balance sheet

There are no differences between the amounts related to equity items and on balance sheet figures.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Details on Subordinated Liabilities

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominiqué on Subordinated Liabilities of CMB numbered CMB-II-31.1
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/dividend payments	
Fixed or floating dividend/coupon	Fixed / semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
30 June 2019	5,7700	6,5541
<u>Prior Five Workdays:</u>		
28 June 2019	5,7700	6,5541
27 June 2019	5,7425	6,5177
26 June 2019	5,7635	6,5456
25 June 2019	5,7880	6,5954
24 June 2019	5,7000	6,4848

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 5,7990 and 6,5338 respectively.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	379.035	518.335	13.453	910.823
Banks	3.486	810.979	2.643	817.108
Financial Assets at Fair Value Through Profit or Loss (1)	80.077	415.959	1.157	497.193
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	52.040	1.313.297	-	1.365.337
Loans (2)	12.883.999	14.752.289	-	27.636.288
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Other Financial Assets Measured at Amortized Cost	-	469.110	-	469.110
Derivative Financial Assets for Hedging Purposes (5)	-	56.709	-	56.709
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	99.907	452.799	-	552.706
Total Assets	13.498.544	18.789.477	17.253	32.305.274
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	105.758	92.889	-	198.647
Funds Provided From Financial Institutions	12.265.718	13.258.784	-	25.524.502
Marketable Securities Issued (4)	-	9.687.227	-	9.687.227
Miscellaneous Payables	8.440	56.388	68	64.896
Derivative Financial Liabilities for Hedging Purposes (5)	-	46.390	-	46.390
Other Liabilities (6)	102.132	86.964	508	189.604
Total Liabilities	12.482.048	23.228.642	576	35.711.266
Net Balance Sheet Position	1.016.496	(4.439.165)	16.677	(3.405.992)
Net Off-Balance Sheet Position	(890.777)	4.732.160	(19.293)	3.822.090
Financial Derivative Assets	1.650.802	7.640.288	160.754	9.451.844
Financial Derivative Liabilities	(2.541.579)	(2.908.128)	(180.047)	(5.629.754)
Non-Cash Loans (7)	1.610.147	1.791.648	-	3.401.795
Prior Period				
Total Assets	12.782.716	16.915.932	17.057	29.715.705
Total Liabilities	11.471.315	20.926.945	952	32.399.212
Net Balance Sheet Position	1.311.401	(4.011.013)	16.105	(2.683.507)
Net Off –Balance Sheet Position	(1.222.855)	3.956.152	(14.992)	2.718.305
Financial Derivative Assets	1.902.722	6.761.213	153.506	8.817.441
Financial Derivative Liabilities	(3.125.577)	(2.805.061)	(168.498)	(6.099.136)
Non-Cash Loans (7)	1.351.786	1.334.076	-	2.685.862

(1) Includes "trading derivative financial assets" on the derivative financial assets amounting to TL 277.130. Exchange rate differences arising from derivative transactions amounting to TL 91.782 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(2) Loans include TL 1.763.416 foreign currency indexed loans, TL 123.244 Lease receivables, TL 660.816 non-performing loans, and TL (158.420) credit-impaired losses (stage III / specific provision).

(3) Forward foreign exchange purchase transaction rediscounts amounting to TL 15, prepaid expenses amounting to TL 1.223, 12 months expected credit loss for other assets amounting to TL (972) 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 assets; 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 (66.868), exchange rate differences arising from derivative transactions amounting to TL 86.865, forward foreign exchange purchase transaction rediscounts amounting to TL 11, and other provisions amounting to TL 9.495 have not been included in "Other Liabilities".

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results, which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total (2)
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	534.626	-	-	-	-	392.375	927.001
Banks (2)	295.984	577.113	-	-	-	10.457	883.554
Financial Assets at Fair Value Through Profit and Loss (3)	253.558	552.643	576.022	45.566	-	-	1.427.789
Money Market Placements (2)	966.796	159.986	-	-	-	-	1.126.782
Financial Assets at Fair Value Through Other Comprehensive Income (2)	185.162	101.530	1.671.812	1.383.298	241.439	69.821	3.653.062
Loans (2)	4.677.145	9.198.502	9.286.606	5.199.416	1.232.678	-	29.594.347
Financial Assets Measured at Amortized Cost (2)	328.085	911.085	721.105	-	294.526	-	2.254.801
Other Assets (2)	-	-	-	-	-	1.763.270	1.763.270
Total Assets	7.241.356	11.500.859	12.255.545	6.628.280	1.768.643	2.235.923	41.630.606
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	267.503	202	-	-	-	-	267.705
Miscellaneous Payables	-	-	-	-	-	76.835	76.835
Marketable Securities Issued (4)	-	-	4.062.714	5.624.513	-	-	9.687.227
Funds Provided from Other Financial Institutions	4.235.747	8.882.842	5.955.779	4.377.117	2.194.992	-	25.646.477
Other Liabilities	101.770	231.872	274.925	72.964	-	5.270.831	5.952.362
Total Liabilities	4.605.020	9.114.916	10.293.418	10.074.594	2.194.992	5.347.666	41.630.606
Balance Sheet Long Position	2.636.336	2.385.943	1.962.127	-	-	-	6.984.406
Balance Sheet Short Position	-	-	-	(3.446.314)	(426.349)	(3.111.743)	(6.984.406)
Off-Balance Sheet Long Position	-	-	-	5.483.086	581.808	-	6.064.894
Off-Balance Sheet Short Position	(1.886.827)	(2.095.819)	(1.714.481)	-	-	-	(5.697.127)
Total Position	749.509	290.124	247.646	2.036.772	155.459	(3.111.743)	367.767

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (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	-	-	-	-	319.573	742.981
Banks (2)	585.203	-	-	-	-	38.545	623.748
Financial Assets at Fair Value Through Profit and Loss (3)	283.500	438.541	498.172	48.603	-	-	1.268.816
Money Market Placements (2)	357.708	170.576	44.949	-	-	-	573.233
Financial Assets at Fair Value Through Other Comprehensive Income	131.914	92.670	1.341.530	1.538.414	221.517	62.732	3.388.777
Loans (2)	5.426.218	6.842.331	8.791.312	5.423.543	942.241	-	27.425.645
Financial Assets Measured at Amortized Cost (2)	311.618	904.733	672.132	-	264.830	-	2.153.313
Other Assets (2)	-	-	-	-	-	2.121.598	2.121.598
Total Assets	7.519.569	8.448.851	11.348.095	7.010.560	1.428.588	2.542.448	38.298.111
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	178.907	94	-	-	-	-	179.001
Miscellaneous Payables	-	-	-	-	-	31.819	31.819
Marketable Securities Issued (4)	-	-	1.797.030	6.701.933	-	-	8.498.963
Funds Provided from Other Financial Institutions	4.159.029	8.408.160	4.753.669	3.985.813	2.269.347	-	23.576.018
Other Liabilities	232.003	262.804	284.877	45.164	-	5.187.462	6.012.310
Total Liabilities	4.569.939	8.671.058	6.835.576	10.732.910	2.269.347	5.219.281	38.298.111
Balance Sheet Long Position	2.949.630	-	4.512.519	-	-	-	7.462.149
Balance Sheet Short Position	-	(222.207)	-	(3.722.350)	(840.759)	(2.676.833)	(7.462.149)
Off-Balance Sheet Long Position	-	-	-	6.677.488	541.315	-	7.218.803
Off-Balance Sheet Short Position	(1.720.265)	(1.897.660)	(3.335.297)	-	-	-	(6.953.222)
Total Position	1.229.365	(2.119.867)	1.177.222	2.955.138	(299.444)	(2.676.833)	265.581

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to 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	-	1,88	-	13,00
Banks	-	3,51	-	24,10
Financial Assets at Fair Value Through Profit and Loss (2)	-	10,05	-	-
Money Market Placements	-	-	-	24,89
Financial Assets at Fair Value Through Other Comprehensive Income	4,01	4,50	-	17,86
Loans	4,75	7,32	-	22,38
Financial Assets Measured at Amortized Cost	-	7,06	-	15,77
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,78	1,50	-	19,52
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	-
Borrower Funds	0,75	1,50	-	15,00
Funds Provided From Other Financial Institutions	1,01	3,26	-	9,72

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

(2) Includes loans measured at fair value through profit or loss.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

Prior Period	Euro	US Dollar	Yen	TL
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	-	2,30	-	25,75
Financial Assets at Fair Value Through Profit and Loss (2)	-	10,05	-	-
Money Market Placements	-	-	-	24,59
Financial Assets at Fair Value Through Other Comprehensive Income	5,62	4,32	-	16,94
Loans	4,49	7,40	-	18,89
Financial Assets Measured at Amortized Cost	-	6,77	-	16,76
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,75	1,50	-	15,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	-
Borrower Funds	0,75	1,50	-	15,00
Funds Provided From Other Financial Institutions	1,00	3,28	-	10,30

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

(2) Includes loans measured at fair value through profit or loss.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk

The Bank is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). The Bank classifies its share certificate investments both as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and net profit/loss of the Bank is not affected unless the Bank sells share certificates in financial assets at fair value through profit or loss portfolio.

Equity shares risk due from banking book

The table below is the comparison table of the Bank's share certificate instruments' book value, fair value and market value.

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	664.649	-	664.649
Quoted	664.649	-	664.649
Investment in Shares-Grade B	183.983	-	183.983
Quoted	183.983	-	183.983

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	978.939	-	978.939
Quoted	978.939	-	978.939
Investment in Shares-Grade B	211.144	-	211.144
Quoted	211.144	-	211.144

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

Current Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
	Revenues and					
Portfolio	Losses in the	Total	Included in	Total	Included in	Included in
	Period		Core Capital		Core Capital	Supplementary
						Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	405.559	405.559	-	-	-
Other Share Certificates	-	76.991	76.991	-	-	-
Total	-	482.550	482.550	-	-	-

Prior Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
	Revenues and					
Portfolio	Losses in the	Total	Included in	Total	Included in	Included in
	Period		Core Capital		Core Capital	Supplementary
						Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	724.294	724.294	-	-	-
Other Share Certificates	-	67.478	67.478	-	-	-
Total	-	791.772	791.772	-	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio

1. Explanations related to the liquidity risk

1.a Information about the governance of unconsolidated liquidity risk management, including: risk tolerance, structure and responsibilities for unconsolidated liquidity risk management, internal unconsolidated liquidity reporting and communication of unconsolidated liquidity risk strategy, policies and practices across business lines and with the board of directors

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

1. Explanations related to the liquidity risk (continued)

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

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

1.d Information on unconsolidated liquidity risk mitigation techniques

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

1.e Information on the use of stress tests

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

1.f General information on urgent and unexpected unconsolidated liquidity situation plans

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

2. Liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months unconsolidated foreign currency and total liquidity coverage ratios are shown below:

		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	-	-	2.627.464	1.264.899
CASH OUTFLOWS					
2	Retail and Customers Deposits	35	7	4	1
3	Stable deposits	-	-	-	-
4	Less stable deposits	35	7	4	1
5	Unsecured Funding other than Retail and Small Business, Customers Deposits	1.489.703	1.063.639	1.289.027	869.886
6	Operational deposits	57.184	52.792	14.296	13.198
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.432.519	1.010.847	1.274.731	856.688
9	Secured funding	-	-	-	-
10	Other Cash Outflows	1.025.975	1.293.056	1.025.975	1.293.056
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	850.349	1.117.430	850.349	1.117.430
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	175.626	175.626	175.626	175.626
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	19.060.075	15.645.193	953.004	782.260
15	Other irrevocable or conditionally revocable commitments	6.646.691	5.722.719	834.680	661.887
16	TOTAL CASH OUTFLOWS			4.102.690	3.607.090
CASH INFLOWS					
17	Secured Lending Transactions	25.597	-	-	-
18	Unsecured Lending Transactions	4.476.274	2.641.825	3.580.706	1.968.822
19	Other contractual cash inflows	123.064	2.054.617	123.064	2.054.617
20	TOTAL CASH INFLOWS	4.624.935	4.696.442	3.703.770	4.023.439
				Upper Limit Applied Amounts	
21	TOTAL HQLA STOCK			2.627.464	1.264.899
22	TOTAL NET CASH OUTFLOWS			1.025.673	901.773
23	LIQUIDITY COVERAGE RATIO (%)			256	140

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

2. Liquidity Coverage Ratio (continued)

Prior Period		Rate of “Percentage to be taken into account” not Implemented Total value		Rate of “Percentage to be taken into account” Implemented Total value	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets	-	-	3.720.239	1.235.400
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	1.020.707	702.818	818.910	508.541
6	Operational deposits	49.428	39.600	12.357	9.900
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	971.279	663.218	806.553	498.641
9	Secured funding	-	-	-	-
10	Other Cash Outflows	948.443	1.183.870	948.443	1.183.870
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	784.624	1.020.051	784.624	1.020.051
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	163.819	163.819	163.819	163.819
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	16.578.496	13.188.834	828.925	659.442
15	Other irrevocable or conditionally revocable commitments	6.891.846	5.875.588	866.195	668.196
16	TOTAL CASH OUTFLOWS			3.462.477	3.020.050
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.716.065	1.556.988	2.048.576	1.089.676
19	Other contractual cash inflows	75.055	1.564.511	75.055	1.564.511
20	TOTAL CASH INFLOWS	2.791.120	3.121.499	2.123.631	2.654.187
				Upper Limit Applied Amounts	
21	TOTAL HQLA STOCK			3.720.239	1.235.400
22	TOTAL NET CASH OUTFLOWS			1.338.846	755.013
23	LIQUIDITY COVERAGE RATIO (%)			278	164

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

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

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. During the implementation process, the minimum limits increase gradually until January 2019, and for total and foreign currency limits 100% and 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 66%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 31%. 3% of the Bank's total funding is provided from repurchase agreements.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	392.375	534.626	-	-	-	-	-	927.001
Banks (2)	10.457	295.984	577.113	-	-	-	-	883.554
Financial Assets at Fair Value Through Profit and Loss (3)	-	4.573	75.267	688.515	463.347	196.087	-	1.427.789
Money Market Placements (2)	-	966.796	159.986	-	-	-	-	1.126.782
Financial Assets at Fair Value Through Other Comprehensive Income	-	73.291	7.761	1.065.694	2.136.896	299.599	69.821	3.653.062
Loans (2)	-	1.197.712	2.347.808	5.247.656	14.275.257	6.525.914	-	29.594.347
Financial Assets Measured at Amortized Cost (2)	-	-	-	174.122	1.569.965	510.714	-	2.254.801
Other Assets (2)	-	-	-	-	-	-	1.763.270	1.763.270
Total Assets	402.832	3.072.982	3.167.935	7.175.987	18.445.465	7.532.314	1.833.091	41.630.606
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	1.474.017	444.278	2.618.401	10.990.257	10.119.524	-	25.646.477
Money Market Borrowings	-	267.503	202	-	-	-	-	267.705
Marketable Securities Issued (4)	-	-	-	4.062.714	5.624.513	-	-	9.687.227
Miscellaneous Payables	-	-	-	-	-	-	76.835	76.835
Other Liabilities	-	64.005	25.673	269.236	193.420	129.197	5.270.831	5.952.362
Total Liabilities	-	1.805.525	470.153	6.950.351	16.808.190	10.248.721	5.347.666	41.630.606
Liquidity Gap	402.832	1.267.457	2.697.782	225.636	1.637.275	(2.716.407)	(3.514.575)	-
Net Off-balance sheet Position	-	(26.447)	(21.691)	133.680	265.538	16.687	-	367.767
Financial Derivative Assets	-	3.524.939	2.744.252	6.938.447	10.570.008	7.011.138	-	30.788.784
Financial Derivative Liabilities	-	3.551.386	2.765.943	6.804.767	10.304.470	6.994.451	-	30.421.017
Non-cash Loans	-	-	-	25.218	2.494.949	896.504	406.968	3.823.639
Prior Period								
Total Assets	358.118	2.914.822	1.631.373	5.881.611	18.467.685	6.860.172	2.184.330	38.298.111
Total Liabilities	-	535.635	428.401	5.085.636	17.572.986	9.456.172	5.219.281	38.298.111
Liquidity Gap	358.118	2.379.187	1.202.972	795.975	894.699	(2.596.000)	(3.034.951)	-
Net Off-balance sheet Position	-	(49.908)	(9.991)	23.591	286.659	15.232	-	265.583
Financial Derivative Assets	-	3.600.199	2.113.463	4.378.824	12.035.187	7.121.613	-	29.249.286
Financial Derivative Liabilities	-	3.650.107	2.123.454	4.355.233	11.748.528	7.106.381	-	28.983.703
Non-cash Loans	-	117.206	149.450	1.331.211	249.706	840.965	485.271	3.173.809

(1) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, deferred tax asset, other miscellaneous receivables, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.

(3) Includes derivative financial assets.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to leverage ratio

a) Information on subjects that causes difference in leverage ratio between current and prior period

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

As of 30 June 2019, leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,10% (31 December 2018: 9,11%). Total balance sheet assets are increased by 10,30% compared to prior period.

b) Leverage Ratio

		Current Period (1)	Prior Period (1)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	42.332.445	38.380.347
2	(Assets deducted from Core Capital)	(981.974)	(713.806)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	41.350.471	37.666.541
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	1.187.358	1.232.186
5	Potential credit risk amount of derivative financial assets and credit derivatives	405.988	467.538
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	1.593.346	1.699.724
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	587.563	474.363
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	587.563	474.363
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	7.420.032	6.453.655
11	(Correction amount due to multiplication with credit conversion rates)	(2.061.453)	(2.294.016)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	5.358.579	4.159.639
	Capital and total risk		
13	Core Capital	4.451.178	4.008.660
14	Total risk amount (sum of lines 3, 6, 9 and 12)	48.889.959	44.000.267
	Leverage ratio		
15	Leverage ratio	%9,10	%9,11

(1)The arithmetic average of the last three months in the related periods.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts

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)	35.691.213	32.814.278	2.855.297
2	Standardised approach	35.691.213	32.814.278	2.855.297
3	Internal rating-based approach	-	-	-
-	Counterparty credit risk	1.646.530	1.497.326	131.722
5	Standardised approach for counterparty credit risk	1.646.530	1.497.326	131.722
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	575.250	339.888	46.020
17	Standardised approach	575.250	339.888	46.020
18	Internal model approaches	-	-	-
19	Operational risk	2.061.973	1.539.288	164.958
20	Basic indicator approach	2.061.973	1.539.288	164.958
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.197.423	1.178.064	95.794
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	41.172.389	37.368.844	3.293.791

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Current Period		Defaulted (a)	Non-defaulted (b)	(c)	(d)
1	Loans	681.742	35.083.730	698.537	35.066.935
2	Debt Securities	-	5.992.527	152.257	5.840.270
3	Off-balance sheet exposures	2.964	7.462.248	12.120	7.453.092
4	Total	684.706	48.538.505	862.914	48.360.297

		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	592.374	31.641.218	511.284	31.722.308
2	Debt Securities	-	5.660.271	179.046	5.481.225
3	Off-balance sheet exposures	2.964	6.273.940	11.986	6.264.918
4	Total	595.338	43.575.429	702.316	43.468.451

Changes in stock of default loans and debt securities

Current Period		Balance
1	Defaulted loans and debt securities at end of the previous reporting	595.338
2	Loans and debt securities that have defaulted since the last reporting period	58.061
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	31.307
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	684.706

Prior Period		Balance
1	Defaulted loans and debt securities at end of the previous reporting	50.688
2	Loans and debt securities that have defaulted since the last reporting period	638.879
3	Receivables back to non-defaulted status	-
4	Amounts written off	146.730
5	Other changes	52.501
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	595.338

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NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk mitigation techniques - Standard approach

		Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Current Period								
1	Loans	33.128.506	1.727.326	1.600.918	211.103	170.035	-	-
2	Debt Securities	5.840.270	-	-	-	-	-	-
3	Total	38.968.776	1.727.326	1.600.918	211.103	170.035	-	-
4	Of which defaulted	681.742	-	-	-	-	-	-

		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
Prior Period								
1	Loans	30.078.742	1.406.836	1.167.285	236.730	188.947	-	-
2	Debt Securities	5.481.225	-	-	-	-	-	-
3	Total	35.559.967	1.406.836	1.167.285	236.730	188.947	-	-
4	Of which defaulted	592.374	-	-	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2019
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk under standard approach

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	6.592.899	210.025	6.762.889	42.005	1.837.829	27%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	1	61.829	1	12.366	12.367	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	3.225.995	627.805	3.226.040	34.669	1.822.874	56%
7	Exposures to corporates	27.834.862	24.527.057	27.651.025	2.835.098	30.035.465	99%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.587.070	125.816	1.587.070	110.042	848.556	50%
11	Past due receivables	681.742	-	503.987	-	504.324	100%
12	Exposures in higher-risk categories	35.912	108.151	35.912	1.181	55.348	149%
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	134.078	912.302	132.863	108.447	238.773	99%
17	Equity Investments	814.646	-	814.646	-	1.533.100	188%
18	Total	40.907.205	26.572.985	40.714.432	3.143.808	36.888.636	84%

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk under standard approach

Credit risk exposure and credit risk mitigation effects (continued)

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-balance sheet amount	Off- balance sheet amount	On-balance sheet amount	Off- balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	6.049.722	186.912	6.237.115	37.382	1.628.438	26%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	11.621	-	2.324	2.324	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.555.018	588.697	2.556.573	30.971	1.666.491	64%
7	Exposures to corporates	25.886.247	21.417.472	25.684.976	2.353.560	27.805.076	99%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.154.961	240.271	1.154.961	233.618	694.289	50%
11	Past due receivables	592.374	-	427.721	-	424.469	99%
12	Exposures in higher-risk categories	-	107.404	-	1.114	1.380	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	136.922	194.845	136.156	98.615	234.747	100%
17	Equity Investments	828.289	-	828.289	-	1.535.128	185%
18	Total	37.203.533	22.747.222	37.025.791	2.757.584	33.992.342	85%

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2019

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Exposures by asset classes and risk weights

	Risk Groups/Risk Weight Current Period	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Others	Total Risk Amount (after CCR and CVA)
1	Exposures to sovereigns and their central banks	4.967.065	-	-	-	-	1.837.829	-	-	-	-	6.804.894
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	12.367	-	-	-	-	12.367
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.782.646	23.435	-	1.454.628	-	-	-	-	3.260.709
7	Exposures to corporates	-	-	273.544	463.643	-	29.748.935	-	-	-	-	30.486.122
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	İkamet amaçlı gayrimenkul ipoteki ile teminatlandırılan alacaklar	-	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	-	-	-	1.697.112	-	-	-	-	-	-	1.697.112
11	Past due receivables	-	-	-	1.272	-	500.769	1.946	-	-	-	503.987
12	Exposures in higher-risk categories	-	-	-	292	-	-	36.801	-	-	-	37.093
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	Equity investments	-	-	-	-	-	335.677	-	-	478.969	-	814.646
17	Other exposures	2.537	-	-	-	-	238.773	-	-	-	-	241.310
18	Total	4.969.602	-	2.056.190	2.185.754	-	34.128.978	38.747	-	478.969	-	43.858.240

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Exposures by asset classes and risk weights

	Risk Groups/Risk Weight Prior Period	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Others	Total Risk Amount (after CCR and CVA)
1	Exposures to sovereigns and their central banks	4.646.059	-	-	-	-	1.628.438	-	-	-	-	6.274.497
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	2.324	-	-	-	-	2.324
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.040.436	177.408	-	1.369.700	-	-	-	-	2.587.544
7	Exposures to corporates	-	-	9.690	451.418	-	27.577.428	-	-	-	-	28.038.536
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	İkamet amaçlı gayrimenkul ipotegi ile teminatlandırılan alacaklar	-	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	-	-	-	1.388.579	-	-	-	-	-	-	1.388.579
11	Past due receivables	-	-	-	8.247	-	417.732	1.742	-	-	-	427.721
12	Exposures in higher-risk categories	-	-	-	292	-	-	822	-	-	-	1.114
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	Equity investments	-	-	-	-	-	357.063	-	-	471.226	-	828.289
17	Other exposures	23	-	-	-	-	234.748	-	-	-	-	234.771
18	Total	4.646.082	-	1.050.126	2.025.944	-	31.587.433	2.564	-	471.226	-	39.783.375

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2019

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Analysis of counterparty credit risk 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)	1.055.657	329.280	-	-	1.384.937	841.547
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)	-	-	-	-	538.167	354.425
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.195.972

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Analysis of counterparty credit risk exposure by approach

	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)	978.155	422.410	-	-	1.400.565	820.236
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	435.981	280.611
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.100.847

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	1.384.937	446.179
4	Total subject to the CVA capital charge	1.384.937	446.179

	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	1.400.565	396.479
4	Total subject to the CVA capital charge	1.400.565	396.479

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights

Current Period Risk weight / Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	35.285	-	-	35.285
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	271.674	1.019.586	-	2.123	-	-	1.293.383
Exposures to corporates	-	-	-	-	-	590.524	-	-	590.524
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	3.912	-	-	3.912
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	271.674	1.019.586	-	631.844	-	-	1.923.104

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

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NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights (continued)

Prior Period Risk weight / Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	-	-	-	-	-	154	-	-	154
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.099	-	-	1.099
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	290.818	1.006.089	-	57	-	-	1.296.964
Exposures to corporates	-	-	-	-	-	534.856	-	-	534.856
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	3.474	-	-	3.474
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	290.818	1.006.089	-	539.640	-	-	1.836.547

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Collaterals used for CCR

Current Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	191.033	-
Cash – foreign currency	-	-	-	-	913.037	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.104.070	-

Prior Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	163.550	-
Cash – foreign currency	-	-	-	-	773.267	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	936.817	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Exposures to central counterparties (CCP):

	Current Period	
	Exposure at Default (Post – CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) Total		4.380
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	108.622	2.173
(i) OTC Derivatives	104.435	2.089
(ii) Exchange-traded Derivatives	4.187	84
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	30.427	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	70.370	2.207
Unfunded default fund contributions	-	-
Exposures to non-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	-	-

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	Outright products		-
1	Interest rate risk (general and specific)	221.125	210.413
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	354.125	129.475
4	Commodity risk	-	-
	Options		-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	575.250	339.888

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	12	-	23	-
Balances with the Central Bank of Turkey	16.459	910.823	6.326	736.875
Other	-	-	-	-
Total	16.471	910.823	6.349	736.875

1.b. Information related to the account of the Central Bank of Turkey:

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	16.459	7.375	6.326	6.602
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	903.448	-	730.273
Total	16.459	910.823	6.326	736.875

(1) Expected credit loss amounting to TL 293 is allocated in "Balances with the Central Bank of Turkey" (31 December 2018: 243 TL).

(2) Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. Interest rate for the required reserves in Turkish Lira is paid by 13% 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.

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 June 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

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NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

Financial Derivative Assets (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	77.838	25	151.345	1.008
Swap Transactions	704.267	224.819	604.804	161.353
Futures Transactions	-	-	-	-
Options	-	52.286	-	59.646
Other	-	-	-	-
Total	782.105	277.130	756.149	222.007

(1) Derivative financial assets for hedging purposes amounting to TL 56.709 were presented at "Derivative Financial Assets" line in accordance with the financial statements format effective from 1 January 2019 (31 December 2018: None).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 200 million as of 30 June 2019 is TL 563.599 and the average rates are between 2020 and 2022.

2.d Loans measured at Fair Value through Profit/Loss:

Net Book Value	Current Period	Prior Period
Loans Measured at Fair Value through Profit/Loss	311.845	290.660

Include the loan granted to the special purpose entity as detailed in Section Five Note I.16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9. As of 30 June 2019, the fair value is based on the results of an independent valuation Company.

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NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and foreign banks account

3.a Information on banks:

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	66.463	718.490	20.650	567.465
Foreign	-	98.618	-	35.639
Branches and head office abroad	-	-	-	-
Total	66.463	817.108	20.650	603.104

(1) Expected credit loss amounting to TL 17 is allocated in "Banks" (31 December 2018: 6 TL).

3.b Information on foreign banks

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	68.919	-	41.531	-
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	68.919	-	41.531	-

4.a.2 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:

As of 30 June 2019, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.674.325.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	739.731	934.594	634.489	819.159
Other	-	-	-	-
Total	739.731	934.594	634.489	819.159

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 57,39%, Eurobonds 36,12% and shares and other securities 6,49% (31 December 2018: 59,26% government bonds, 34,38% Eurobond, 6,36% shares and other securities).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Debt securities	3.729.469	3.503.459
Quoted on a stock exchange	2.330.140	2.252.288
Unquoted	1.399.329	1.251.171
Share certificates	78.929	68.013
Quoted on a stock exchange	15.299	11.244
Unquoted	63.630	56.769
Impairment provision(-)	155.336	182.452
Total	3.653.062	3.389.020

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 54.936 (31 December 2018: 51.875 TL).

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	115.456	-	102.776	-
Corporate shareholders	115.456	-	102.776	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	681	-	662	-
Total	116.137	-	103.438	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

Current Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	26.517.885	1.251.950	940.302	776.334
Working Capital loans	3.213.555	946.500	124.839	776.334
Export loans	454.247	-	73.899	-
Import loans	-	-	-	-
Loans given to financial sector	3.591.653	-	-	-
Consumer loans	681	-	-	-
Credit cards	-	-	-	-
Other	19.257.749	305.450	741.564	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	26.517.885	1.251.950	940.302	776.334

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.269.090 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

Prior Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	24.556.445	1.716.827	219.817	716.255
Working Capital loans	2.761.098	326.005	-	716.255
Export loans	443.697	-	66.900	-
Import loans	-	-	-	-
Loans given to financial sector	2.986.797	-	-	-
Consumer loans	662	-	-	-
Credit cards	-	-	-	-
Other	18.364.191	1.390.822	152.917	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	24.556.445	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.

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	166.680	-	134.209	-
Significant Increase in Credit Risk	-	352.674	-	211.140

5.c Loans according to their maturity structure:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	37	644	681
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	37	644	681
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	37	644	681

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

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

5.f Loans according to borrowers:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	29.375.817	27.400.306
Foreign loans	110.654	99.698
Total	29.486.471	27.500.004

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	542.650	437.232
Indirect loans granted to subsidiaries and associates	-	-
Total	542.650	437.232

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

	Current Period	Prior Period
Loans and receivables with limited collectability	1.400	12.730
Loans and receivables with doubtful collectability	132.031	104.433
Uncollectible loans and receivables	44.325	47.490
Total	177.756	164.653

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	-	2.163	36.783
Rescheduled loans	-	2.163	36.783
Prior Period			
Gross amounts before provisions	-	-	6.211
Rescheduled loans	-	-	6.211

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

5.j.2 Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Prior period end balance	22.719	522.165	47.490
Additions (+)	1.842	46.844	9.395
Transfers from other categories of non-performing loans (+)	-	21.283	-
Transfers to other categories of non-performing loans (-)	21.283	-	-
Collections (-)	1.369	19.582	12.560
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	37	64.761	-
Current period end balance	1.946	635.471	44.325
Provision (-)	1.400	132.031	44.325
Net Balances on Balance Sheet	546	503.440	-

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Prior Period			
Prior period end balance	985	4.894	43.643
Additions (+)	490.340	-	146.741
Transfers from other categories of non-performing loans (+)	-	469.603	4.894
Transfers to other categories of non-performing loans (-)	469.603	4.894	-
Collections (-)	319	7.637	1.058
Write-offs (-) (1)	-	-	146.730
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	47.490
Provision (-)	12.730	104.433	47.490
Net Balances 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 as an expense. This amount which is written as expense according to the Tank ownership rate USD 28 million (TL 146.730 thousands).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Period End Balance	182	628.508	32.126
Provision (-)	182	126.112	32.126
Net Balance on Balance Sheet	-	502.396	-
Prior Period			
Period End Balance	2.098	522.165	32.126
Provision (-)	356	104.433	32.126
Net Balance on Balance Sheet	1.742	417.732	-

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)	1.946	635.471	44.325
Provision Amount (-)	1.400	132.031	44.325
Loans to Real Persons and Legal Entities (Net)	546	503.440	-
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other 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)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

5.j.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)	33	83.427	-
Interest Accruals and Rediscount with Valuation Differences	37	104.371	-
Provision amount (-)	4	20.944	-
Prior Period (Net)	1.089	48.159	-
Interest Accruals and Rediscount with Valuation Differences	1.316	60.199	-
Provision amount (-)	227	12.040	-

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

6. Information on financial assets measured at amortized cost

6.1.a The information was subjected to repurchase agreement and given as collateral/blocked amount of investments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	713.074	51.432	39.757	46.078
Subject to Repurchase Agreements	-	346.185	-	248.394
Total	713.074	397.617	39.757	294.472

6.2.a Information on government debt measured at amortized cost:

	Current Period	Prior Period
Government Bonds	2.257.029	2.154.941
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	2.257.029	2.154.941

6.3.a Information on financial investments measured at amortized cost:

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	1.787.918	1.735.522
Not Quoted	469.111	419.419
Impairment provision (-)	-	-
Total	2.257.029	2.154.941

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

6. Information on financial assets measured at amortized cost (continued)

6.4.a Movement of financial assets at amortized costs 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	52.469	51.793
Purchases During The Period	-	227.528
Disposals Through Sales And Redemptions	-	-
Impairment Loss	-	-
Interest Income Accruals	49.619	343.573
Balance at End of Period	2.257.029	2.154.941

Expected credit loss amounting to TL 2.228 is allocated in "Financial asset measured at amortized cost (31 December 2018: TL 1.628).

7. Information on associates (net)

7.a.1 Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	60,92
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,68
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.259.504	322.159	2.107	258.766	-	13.217	52.357	46.010
2	İş Finansal	9.075.117	1.211.044	14.402	498.606	-	42.445	33.746	620.492
3	İş Girişim	267.371	263.848	1.751	5.568	933	3.883	89	34.353
4	Terme (1)	22.569	5.255	1.557	-	-	(10)	(2)	-
5	Ege Tarım	14.108	13.416	8.157	223	-	1.715	1.096	-

(1) The information is obtained from financial statements subject to consolidation as of 31 March 2019. Prior year profit/loss is obtained from 31 March 2018 financial statements.

(1)

7.a.2 Movements of associates subject to unconsolidation:

	Current Period	Prior Period
Balance at the Beginning of the Period	1.017.509	308.497
Movements During the Period	(315.598)	709.012
Purchases	-	5.426
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase / decrease	(315.598)	703.586
Provision for Impairment	-	-
Balance at the End of the Period	701.911	1.017.509
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on associates sold in the current period

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

Information on associates purchased in the current period

In current period the Bank has not purchased any associates.

7. Information on associates (net) (continued)

7.a.3 Sectoral information of associates subject to unconsolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	46.010	46.010
Leasing Companies	620.492	945.385
Financial Service Companies	-	-
Other Financial Associates	34.353	25.058

7.a.4 Information on associates subject to consolidation quoted on stock market:

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	654.845	970.443
Associates quoted on foreign stock exchanges	-	-

8. Information on subsidiaries (net)

8.a.1 Information related to equity component of subsidiaries:

Current Period (1)	YF	TSKB GYO
CORE CAPITAL		
Paid-in Capital	63.500	300.000
Share Premium	-	593
Legal Reserves	3.681	8.777
Other Comprehensive Income according to TAS	17.284	-
Current and Prior Years' Profit/Loss	23.656	(66.304)
Leasehold Improvements (-)	461	-
Intangible Assets (-)	986	23
Total Core Capital	106.674	243.043
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	106.674	243.043

(1) The information is obtained from financial statements subject to consolidation as of 30 June 2019.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net)

8.a.1 Information related to equity component of subsidiaries (continued) :

Prior Period (1)	YF	TSKB GYO
CORE CAPITAL		
Paid-in Capital	63.504	300.000
Share Premium	-	593
Legal Reserves	2.833	8.777
Other Comprehensive Income/Loss according to TAS	17.261	-
Current and Prior Years' Profit	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 519 of the Turkish Commercial Code numbered 6102. The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.

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

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

8.b.1 Information on subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	85,41	86,23
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,19	99,83

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net)

8.b.1 Information on subsidiaries:

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD (1)	21.736	17.056	1.126	629	-	927	1.011	379
2	YF (2)	950.205	108.121	10.207	40.490	950	9.430	5.510	90.034
3	TSKB GYO (2)	507.300	243.065	334	1.212	-	(21.686)	(51.624)	183.983
4	TSKB SD	2.263	2.076	4	265	-	(260)	(1.006)	-

(1) Represents for the period ended 31 March 2019 financial statements. Prior year profit/loss is obtained from 31 March 2018 financial statements.

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

8.b.2 Movement schedule for subsidiaries subject to consolidation:

	Current Period	Prior Period
Balance at the beginning of the period	301.178	134.976
Movements in the period	(27.161)	166.202
Purchases	-	164.494
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase / decrease	(27.161)	2.900
Provision for impairment	-	(1.192)
Balance at the end of the period	274.017	301.178
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.b.2 Movement schedule for subsidiaries (continued):

Subsidiaries disposed in the current period

In the current period, the Bank has not disposed any subsidiaries.

Subsidiaries purchased in the current period

During the current period, the Bank has no subsidiaries acquired.

In relation to prior period subsidiaries movements;

In the Board of Directors meeting of the Bank held on 27 August 2018, was decided 100% capital increase over the nominal value because of the fact that the financing of borrowing debts by increasing the issued capital of TSKB GYO A.Ş. will contribute positively to the activities and development of the Company and the Bank participated in the capital increase of TL 150 million in November 2018.

In addition, in the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded in the stock market until a nominal share of TL 10 million within the next one year and the shares received under this program are accounted "Financial Assets at Fair Value Through Profit and Loss". After this participation, the share of the Bank increased from 70,84% to 87,77%.

The Bank pledged capital increase of TL 2,8 million for TSKB Sürdürülebilirlik Danışmanlığı A.Ş.'s cash capital increase of TL 3,5 million. The Bank participated by paying TL 2,4 million on this commitment on 19 December 2018.

8.b.3 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	274.017	301.178

8.b.4 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	183.983	211.144
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2018: None).

10. Information on lease receivables (net)

10.a Maturities of investments on leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	27.710	25.214	31.462	27.962
Between 1- 4 years	89.745	80.069	88.470	78.539
More than 4 years	20.645	17.961	31.170	27.428
Total	138.100	123.244	151.102	133.929

(1) Expected credit loss amounting to TL 17.922 (31 December 2018: TL 1.411) is allocated in "Lease Receivables".

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period	Prior Period
Gross investments in leases	138.100	151.102
Unearned revenue from leases (-)	14.856	17.173
Cancelled leases (-)	-	-
Net investments in leases	123.244	133.929

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

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

11. Explanation on derivative financial assets held for hedging purposes

11.a Positive differences on derivative financial instruments held for hedging purposes:

There is a positive differences amounting to TL 56.709 related to derivative financial assets for hedging purposes (31 December 2018: None).

As of 30 June 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 Swaps	20.204.617	56.709	(46.390)	18.028.129	-	(172.258)
FC	20.204.617	56.709	(46.390)	18.028.129	-	(172.258)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting

Current Period		Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	(40.948)	42.424	(19.600)	(18.124)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(3.362)	-	2.077	(1.285)

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11 Explanation on derivative financial assets held for hedging purposes

11.a Positive differences on derivative financial instruments held for hedging purposes:

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

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	127.988	-	(137.854)	(9.866)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	20.723	-	(21.390)	(667)

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

12. Explanations on tangible assets

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

13 Information on intangible assets

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

14. Information on investment property

The Bank has no investment property (31 December 2018: None).

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SECTION FIVE (Continued)

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

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

15. Information on deferred tax assets

15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	21.751	23.032
Other provisions	124.533	79.316
Employee benefit provision	3.142	2.660
Other	4.842	2.739
Total Deferred Tax Asset	154.268	107.747
Deferred tax liability:		
Marketable securities	(10.489)	(37.489)
Valuation of derivative instruments	(104.565)	(43.303)
Loan commissions accrual adjustment	(12.935)	(12.329)
Useful life difference of fixed assets	(665)	(728)
Other	(5.805)	(10.363)
Total Deferred Tax Liability	(134.459)	(104.212)
Net Deferred Tax Asset	19.809	3.535

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on deferred tax assets (continued)

	Current Period	Prior Period
Deferred Tax as of 1 January Asset / (Liability) - Net	3.535	39.366
Deferred Tax (Loss) / Gain	26.994	(102.002)
Deferred Tax that is Realized Under Shareholder's Equity (1)	(10.720)	66.171
Deferred Tax Asset / (Liability) Net	19.809	3.535

15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2018: None).

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2018: None).

16. Explanation on assets held for sale

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 Levent Yapılandırma Yönetimi A.Ş. which was established within this context with 1,6172% stake and amounting to TL 808,62 (full amount). 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).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The 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 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 Bank is not authorized to accept deposits.

1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Bank is not authorized to accept deposits.

2. Negative differences table related to derivative financial liabilities

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	60.381	19	87.610	6.307
Swap Transactions	259.141	183.987	354.659	111.839
Futures Transactions	-	-	-	-
Options	-	52.286	-	59.646
Other	-	-	-	-
Total	319.522	236.292	442.269	177.792

(1) Derivative financial liabilities for hedging purposes amounting to TL 46.390 (31 December 2018:172.258) were presented at "Derivative Financial Liabilities" line in accordance with the financial statements format effective from 1 January 2019.

3. Information on banks and other financial institutions

3.a General Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	361.800	5.000	265.220
From Foreign Banks, Institutions and Funds	121.975	25.162.702	122.007	23.183.791
Total	121.975	25.524.502	127.007	23.449.011

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	65.579	5.000	-
Medium and long-term	121.975	25.458.923	122.007	23.449.011
Total	121.975	25.524.502	127.007	23.449.011

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (continued)

3. Information on banks and other financial institutions (continued)

3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	7.789.500	-	6.932.250
Cost	-	7.390.829	-	6.917.804
Book Value	-	7.901.266	-	6.949.189

As of 27 October 2014, the Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 30 October 2019 with fixed interest rate of 5,375%, 5 years maturity and semiannual coupon payment. 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 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.

3.d Additional information about the concentrated areas of liabilities:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2018: None).

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2018: None).

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 292 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2018: 2 head office buildings, 1 branch, 11 cars and 327 computers under operational leasing). In the current period, the Bank has lease liability amounting to TL 37.719 related to operational lease transactions.

5.c Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:

The Bank has no sale and lease back transactions as of the reporting date (31 December 2018: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (continued)

6. Negative differences on derivative financial instruments held for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	46.390	-	172.258
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	46.390	-	172.258

(1) Derivative financial liabilities for hedging purposes were presented at "Derivative Financial Liabilities" line in accordance with the financial statements format effective from 1 January 2019.

7. Explanations on provisions

7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

The Bank has no foreign exchange losses on the foreign currency indexed loans. (31 December 2018: None).

7.b The specific provisions provided for unindemnified non cash loans:

As of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 764 (31 December 2018: TL 736).

The Bank has an expected loss provision amounting to TL 11.356 for non-cash loans (31 December 2018: TL 11.251).

7.c Information on other provision:

7.c.1 Provision for possible losses:

Free provision amounting to TL 240.000 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 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:

None.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (continued)

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	87.842	-	82.363	-
Deferred tax liability	-	-	-	-
Total	87.842	-	82.363	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	87.842	82.363
Taxation of securities	3.662	523
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	8.157	6.460
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	156	701
Other	1.941	1.686
Total	101.758	91.733

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	44	38
Unemployment insurance-Employer	88	75
Other	-	-
Total	132	113

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SECTION FIVE (Continued)

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

II. Explanations and disclosures related to the liabilities (continued)

8. Explanations on taxes payable (continued)

8.b Information on deferred taxes liabilities:

As at the reporting date, the Bank has no deferred tax liability (31 December 2018: None).

9. Explanations on liabilities regarding assets held for sale

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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 line with the decision taken at the Ordinary General Assembly held on 28 March 2019, the Bank does not have any capital increase during the current period. In accordance with the resolution of the General Assembly, it was decided to transfer 2018 profit to the reserves.

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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (continued)

11. Explanations on shareholders' equity (continued)

11.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.

11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, profitability and liquidity of the Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses.

The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2018: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	459.104	-	801.864	-
Financial Assets at Fair Value Through Profit or Loss	(32.973)	(66.868)	(69.635)	(69.434)
Valuation Differences	(52.783)	(66.868)	(85.339)	(69.434)
Foreign Exchange Difference	19.810	-	15.704	-
Total	426.131	(66.868)	732.229	(69.434)

11.i Informations on legal reserves:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

11.j Informations on extraordinary reserves:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the off-balance sheet items

1. Explanation on off-balance sheet liabilities

1.a Types and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	806.381	97.040
Commitments for Stock Brokerage Purchase and Sales	73.325	25.941
Commitments for Letter of Credit	177.743	177.294
Capital commitments for subsidiaries and associates (1)	105.922	97.805
Other	217.193	193.329
Total	1.380.564	591.409

(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 and capital participation commitment regarding the cash capital increase of TSKB Sürdürülebilirlik A.Ş.

1.b Possible losses and commitments related to off-balance sheet items including items listed below:

1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credit, surety and acceptances amount to TL 2.122.733 (31 December 2018: TL 1.590.814).

1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee given by the Bank is TL 1.700.906 (31 December 2018: TL 1.582.995).

1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	1.673.711	1.559.899
With maturity of one year or less than one year	220.895	92.374
With maturity of more than one year	1.452.816	1.467.525
Other non-cash loans	2.149.928	1.613.910
Total	3.823.639	3.173.809

1.c.2 Information on sectoral risk concentration of non cash loans:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

1.c.3 Information on non cash loans classified under Group I and Group II:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

2. Explanation related to derivative financial instruments

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

3. Explanations on loan derivatives and risk exposures

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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SECTION FIVE (Continued)

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

III. Explanations and disclosures related to the off-balance sheet items (continued)

4. Explanations on contingent liabilities and assets

There are 40 legal cases against the Bank which are amounting to TL 2.162 as of the reporting date (31 December 2018: TL 2.175 - 37 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to “Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Bank relying on this report.

The Bank assesses that the Bank’s practice is in compliance with the legislation and there is no legal basis for the tax administration’s suspended assessments, therefore, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir. Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Bank against the decision of the Court with respect to the Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Bank are accrued by administration depending on legal process and as of 31 July 2014 the Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the Bank in relation to the Bank’s liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Bank was contrary to the principle of legality and the Bank’s property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the Bank was obliged to pay for the related period is recognized as income in the prior period.,

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (1)				
Short term loans	99.168	60.589	164.268	12.578
Medium and long term loans	184.270	799.363	137.941	587.700
Interest on non-performing loans	55	39.610	-	13.908
Premiums received from resource utilization support fund	-	-	-	-
Total	283.493	899.562	302.209	614.186

(1) Commission income from loans have been included to the interest on loans.

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (1)	5.357	-	4.386	-
Domestic banks	6.746	14.446	16.525	706
Foreign banks	1.409	4.945	954	46
Branches and head office abroad	-	-	-	-
Total	13.512	19.391	21.865	752

(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	3	-	20	-
Financial Assets at Fair Value Through Other Comprehensive Income	185.762	33.978	125.411	27.990
Financial Assets Measured at Amortized Cost	113.449	14.310	81.808	4.444
Total	299.214	48.288	207.239	32.434

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of 30 June 2019, the valuation of these securities is based on 10,6% annual inflation forecast.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement (continued)

1. Information on interest income (continued)

1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	9.172	10.604

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	32.668	36.447	19.448	32.781
The Central Bank of Turkey	-	-	-	-
Domestic banks	27.343	2.538	12.840	3.235
Foreign banks	5.325	33.909	6.608	29.546
Branches and head office abroad	-	-	-	-
Other financial institutions	1.385	272.049	1.385	178.830
Total (1)	34.053	308.496	20.833	211.611

(1) Commissions given to other financial institutions have been included to interest expense on funds borrowed.

2.b Information on interest expense to associates and subsidiaries:

The Bank has no interest expense to its associates and subsidiaries (30 June 2018: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (1)	-	292.078	-	211.403

(1) Commissions given to issuance have been included to interest expense on funds borrowed.

3. Information on dividend income

Bankalarca Kamuya Açıklanacak Finansal Tablolar ile Bunlara İlişkin Açıklama ve Dipnotlar Hakkında Tebliğ'in 25'inci maddesi uyarınca hazırlanmamıştır.

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	2.117.368	1.935.893
Gains on capital market operations	1.806	2.688
Gains on derivative financial instruments (1)	1.375.167	1.459.055
Foreign exchange gains	740.395	474.150
Losses (-)	(2.346.476)	(2.002.242)
Losses on capital market operations	(1.355)	(1.355)
Losses on derivative financial instruments (1)	(1.599.239)	(1.372.017)
Foreign exchange losses	(745.882)	(628.870)

(1) Foreign exchange gain from derivative transactions amounting to TL 520.691 is presented in "Gains on derivative financial instruments" (30 June 2018: TL 828.207), foreign exchange loss from derivative transactions amounting to TL (698.484) is presented in "Losses on derivative financial instruments" (30 June 2018: TL (758.551)).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement (continued)

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	24.842	150.101
Gains on Sale of Assets	174	-
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	106	-
From Property Sales	-	-
From Other Asset Sales	68	-
Other	1.874	3.780
Total	26.890	153.881

6. Expected credit loss of the Bank

	Current Period	Prior Period
Expected Credit Loss	199.013	238.293
12 Months Expected Credit Loss (Stage 1)	31.415	5.314
Significant Increase in Credit Risk (Stage 2)	143.146	157.691
Non-performing Loans (Stage 3)	24.452	75.288
Marketable Securities Impairment Expenses	35.818	3.943
Financial Assets at Fair Value Through Profit or Loss	30.988	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.830	3.943
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other (1)	20.000	-
Total	254.831	242.236

(1) Contains free provision addition in current period. It is included in Other Provision Expenses in the statement of profit or loss.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement (continued)

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	564	275
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	7.137	1.884
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	802	460
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	11.271	14.708
Leasing Expenses on TFRS 16 Exceptions	618	6.387
Maintenance expenses	397	352
Advertisement expenses	437	611
Other expenses	9.819	7.358
Loss on sale of assets	-	-
Other (1)	16.066	10.807
Total	35.840	28.134

(1) It contains vacation liability expenses amounting TL 1.627.

8. Information on tax provision for continued and discontinued operations

8.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Bank's current tax charge for the period is TL 134.541 (30 June 2018: TL 63.511). Deferred tax benefit is TL 26.994 (30 June 2018: TL 63.958 deferred tax charge).

8.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax benefit calculated on temporary differences is TL 26.994 (30 June 2018: TL 63.958 deferred tax charge).

8.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

There are no deferred tax benefit or charge on temporary differences, losses, tax deductions and exceptions (30 June 2018: None).

SECTION FIVE (Continued)

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

IV. Explanations and disclosures related to the income statement (continued)

9. Explanations on net profit/loss from continued and discontinued operations

As of 30 June 2019, the Bank's profit before tax has increased by 17,11% compared to the prior period.

10. Information on net profit/loss

10.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:

The Bank has generated TL 1.768.717 of interest income, TL 744.839 of interest expenses and TL 12.989 of net fee and commission income from banking operations (30 June 2018: TL 1.234.933 interest income, TL 559.253 interest expense, TL 8.519 net fee and commission income).

10.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There has no change in the accounting estimates and accordingly effect on the financial statement items.

10.c Minority share of profit and loss:

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (30 June 2018: None).

11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

None other than other operating expense explained in Note IV.7, exceeds 10% of the income statement.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations on the risk group of the Bank

1. Information on the volume of transactions related to the Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

1.a Current Period:

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	437.232	262	102.776	-	59.858	-
Balance at End of Period	542.650	9.915	115.456	-	49.771	-
Interest and Commission Income	8.696	476	3.861	-	2.107	-

1.b Prior Period:

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	257.470	262	-	-	76.931	-
Balance at End of Period	437.232	262	102.776	-	59.858	-
Interest and Commission Income (1)	10.298	306	-	-	3.098	-

(1) Represents for the period of 30 June 2018..

1.c Information on deposit held by Bank's own risk group:

The Bank is not authorized to accept deposits.

2. Information on forward, option and other similar agreements made with Bank's own risk group

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in 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	17.855	364.732	-	-	-	131.758
Total Profit / Loss	(19.695)	(8.608)	-	-	(139)	(2.703)
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Includes for the prior period of 30 June 2018.

3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to the key management personnel in the current period amount to TL 9.095 (30 June 2018: TL 8.493).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION FIVE (Continued)

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

VI. Explanations related to the events after the reporting date

In the mirror of the authorization issued by the Bank's Board of Directors, syndicated loan agreement consisting of two separate tranches, has signed a total of EUR 97.500.000 and USD 67.500.000 based on a maturity of 367 days with the participation of banks from international markets under the coordination of Commerzbank Aktiengesellschaft, Filiale Luxemburg in 9 July 2019.

The size of the GMTN (Global Medium Term Note) program, which enables bond issuance in international markets in a shorter time, was increased from US \$ 1.4 billion to US \$ 2 billion. In addition to the current issue limit of USD 400 million, the export document of issuance is received from the Capital Markets Board for the issuance of foreign bonds up to USD 600 million or equivalent in other currencies.

SECTION SIX

AUDITORS' LIMITED REVIEW REPORT

I. Explanations on the auditors' limited review report

The unconsolidated financial statements for the period ended 30 June 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated 2 August 2019 is presented preceding the financial statements.

II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Bank's operations.

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities

A. GENERAL INFORMATION

Board of Directors

Name and Surname	Position	Term	Independent Member	Committees and Roles
Hakkı Ersin Özince	Chairman	2018-2021	No	-
Mehmet Şencan	Vice Chairman	2018-2021	Yes*	Chair of Audit Committee, Member of Credit Revision Committee
Suat İnce	Board Member and CEO	2018-2021	No	Member of Credit Revision Committee
Yavuz Canevi	Board Member	2018-2021	No	-
Mithat Rende	Board Member	2018-2021	Yes	Member of Sustainability Committee
Zeynep Hansu Uçar	Board Member	2018-2021	No	Member of Corporate Governance Committee, Member of Remuneration Committee, Member of Sustainability Committee
Ahmet Hakan Ünal	Board Member	2018-2021	No	Member of Credit Revision Committee
Abdi Serdar Üstünsalih	Board Member	2019-2021	No	-
Gamze Yalçın	Board Member	2019-2021	Yes*	Member of Audit Committee, Chair of Corporate Governance Committee, Chair of Remuneration Committee
Hüseyin Yalçın	Board Member	2018-2021	No	-
Can Yücel	Board Member	2018-2021	No	Member of Credit Revision Committee, Member of Sustainability Committee

* Considered as an independent member pursuant to the Corporate Governance Communique by the CMB for being a Member of the Audit Committee

Changes in Board of Directors during the period

Mr. Mehmet Emin Özcan, Board Member of TSKB, has resigned from his duty on 31.05.2019. Mr. Abdi Serdar Üstünsalih has been elected as the Board Member pursuant to Article 363 of the Turkish Commercial Code. The Resume of Abdi Serdar Üstünsalih is as follows:

Abdi Serdar Üstünsalih

Mr. Üstünsalih, born in 1963 in Trabzon, began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments at VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Mr. Üstünsalih became Executive Vice President in July 2018 and he has been CEO and Executive Board Member of VakıfBank since May 27, 2019. Moreover, Mr. Üstünsalih is Board member of the Banks Association of Turkey and the Chairman of Güneş Sigorta A.Ş. Mr Üstünsalih has been elected as TSKB Board Member in 25 June 2019.

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)

A. GENERAL INFORMATION (continued)

Information on the Bank's Board Meetings

The Board of Directors issued 29 decisions in the period between January 1, 2019 - June 30, 2019. Board Members attended the meetings at a satisfactory level.

Senior Management and Directors

Name and Surname	Position
Suat İnce	CEO
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 Marketing, Project Finance, Corporate Communication
Ece Börü	Executive Vice President - Loans, Loan Monitoring, Financial Control, Budget and Planning
Hakan Aygen	Executive Vice President - Corporate Finance
H. Yetkin Kesler	Executive Vice President - Human Resources, Enterprise Architecture and Process Management, Pension and Assistance Funds, Corporate Compliance
B. Gökhan Çanakpınar	Executive Vice President - Application Development, System Support and Operation, Building Management and Administrative Affairs,
A. Ferit Eraslan	Executive Vice President - Board of Internal Auditors, Internal Control, Risk Management
Melih Yalçın	Director of Advisory Services – Economic Research, Engineering and Technical Advisory, Financial Advisory and Business Development

Changes in Senior Management and Directors

According to the Bank's Organization Chart, which became effective on April 1, 2019, Economic Research, Engineering and Technical Advisory, Financial Advisory and Business Development have been consolidated under a directorship directly connected to the CEO. Mr. Melih Yalçın was appointed as the Director of Advisory Services. The Resume of Mr Yalçın has been as follows:

Melih Yalçın

Melih Yalçın was born in 1978. He studied management at Mount Ida College – Boston/MA and continued his final years at Yeditepe University where he obtained his BA in Business Administration degree with honors. He also holds an MSc in Development Management and Political Economy from London School of Economics. Mr. Yalcin started his career in Bretton Woods Institution in London as an investment analyst. He was in charge of performance evaluation and project assessment for multilateral and IFI-funded infrastructure projects. Having decided to return to his home country, he has taken managerial and executive roles in Strategic Planning, M&A and Business Development at various industrial conglomerates and banks including Dogan Holding, Garanti Bank and Kale Group. He also worked as a Strategy and M&A executive for the Istanbul office of US-based investment bank Cantor Fitzgerald. Mr. Yalcin gained deep expertise in providing advisory services for publicly-listed companies and conglomerates during strategic integration and international business development. He has developed and executed various advisory services within a rich array of sectors such as aviation, aerospace, industrial manufacturing, defense, retail and logistics. In 2014, Melih Yalçın has taken role in the establishment of Strategy Loop; a local strategy and M&A consulting firm providing value-added services to local and international clients. Mr. Yalçın has been appointed as the Director in charge of Advisory Services at TSKB in 1 April 2019 overseeing Bank's Economic Research, Financial Advisory and Engineering & Technical Advisory divisions.

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)

B. ASSESSMENTS OF THE CHAIRMAN FOR THE PERIOD

Recent developments in the US-China trade war, which was almost the most critical issue on the global economic agenda in the first half of the year, had negative implications for the global economic growth. On the other hand, leading indicators such as industrial production, purchasing managers' indices and consumer confidence point out to a slow-down in European economy.

Similar indicators taken for the US economy, strengthened the possibility of sharp U-turn in Federal Reserve's (Fed) monetary policies, influencing the direction of portfolio flows. At the beginning of the year, there was a widespread expectation that the Fed would carry out one or two rate hikes throughout the year. However, recently the expectation for a rate cut has gained ground instead, leading to sharp falls in global bond yields.

In our country, the recent economic rebalancing led to slow-down in GDP growth rates. Sharp falls are observed in foreign debt and current account deficit. The improvement in these indicators, which were previously regarded as vulnerability indicators, has recently fueled expectations for a robust and strong recovery.

The banking sector has focused on changes in the financials of the private sector companies, led by the ongoing economic rebalancing. Our sector closely monitors the indebtedness levels of private companies, supporting the real sector through debt restructuring if necessary. Towards the centennial of our Republic, the financial sector duly delivers its role to maintain our economic independence and continues its devoted efforts on the development of our country.

TSKB, Turkey's leading bank in development finance, has maintained its support to the local economy in 2019 with a robust funding structure. To provide a deeper and more inclusive contribution to our country's development, our Bank has diversified its 'advisory operations' and made amendments in its organizational structure. I am fully convinced that TSKB will reap the fruits of this latest reorganization in the future. Furthermore, TSKB signed Turkey's only risk-sharing facility with the European Bank for Reconstruction and Development (EBRD) in this period. Having embraced the mission of supporting our country's sustainable and inclusive development, 73% of TSKB's loan portfolio consists of sustainability-themed investments such as renewable energy, energy and resource efficiency, environment, sustainable tourism, healthcare and women's employment.

I believe TSKB will maintain its position in financing private sector's investments mainly with sustainability themes under any economic conditions, as I believe our country has the potential for a strong recovery following the current process of economic rebalancing. With our experienced management team and highly competent group employees, we will continue to work hard in order to provide funding and advisory support for it's the value-added investments of Turkish private sector.

Sincerely,

Chairman

H. Ersin Özince

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)

C. ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

In the first six months of 2019, new developments regarding the US-China trade war led to signs of deterioration in global growth outlook while signals of radical changes in the monetary policies of the Fed and the European Central Bank that might have significant future economic impacts were taken. Domestically, economic rebalancing process continued and the loan volume in the banking sector recorded a highly limited growth. In this quarter, our sector pursued risk-based and cautious operational policies, with loan monitoring and restructuring efforts required by economic conditions maintaining pace.

During the period of economic rebalancing with a busy domestic and international agenda, we not only maintained our main operations but also focused on launching our plans for the future. In line with our goals to develop and improve the advisory services we offer, we created an 'Advisory Directorate' reporting directly to the CEO. In addition, we restructured our Corporate Finance team, another branch of our advisory services, with a focus on offering a more exclusive and specialized experience.

We also maintain the synergy we created with our global fund providers, a strong point for our Bank, as well as the title of being the first bank to bring innovative practices to Turkey for the first time. The latest example to this is Turkey's only risk-sharing facility we signed with the EBRD. This agreement will allow us - in cooperation with the EBRD - to extend up to EUR 100 million to Turkish private sector for use as investment loans and working capital loans.

Recently, we took significant steps in our funding side. In July, we signed a syndicated loan agreement comprising two different tranches worth EUR 97,5 million and USD 67,5 million respectively on a maturity of 367 days. As it had been the case in previous years, we are truly glad to have obtained a syndicated loan participated by prestigious banks from 12 different countries. Moreover, we increased the size of GMTN (Global Medium Term Note) program, which enables a faster bond issuance on international markets, from USD 1,4 billion to USD 2 billion. Last but not least, I would like to note that we obtained an issuance certificate from the Capital Markets Board for international bond issuance up to USD 600 million or an equivalent thereof in other currencies, in addition to the current issuance limit of USD 400 million we have.

In the economic rebalancing process, we prioritized maintaining our strong financial structure and displayed a robust performance in line with our expectations. In the first half of 2019, our gross loan portfolio grew by 8,4% year to date to TL 30.6 billion while our asset size rose by 8,7% to stand at TL 41,6 billion as of June 30, 2019. Our equity increased as well by 1,6% to TL 4,8 billion. In the first half, our net income for the period surged by 17,1% year-on-year to TL 380,1 million. This enabled us to close the period with a return-on-equity of 16,0% and a capital adequacy ratio of 16,4%.

As a development and investment bank, we are fully aware of the responsibility we have in supporting the inclusive and sustainable development of our country. To that end, we continue to work on diversifying our fund portfolio and finding new themes in order to further bolster our support to national economy. Furthermore, we will continue to make an indelible impression thanks to our projects such as "Tomorrow's Female Stars", "TSKB Technology and Entrepreneurship Platform" and "Equal Steps".

Sincerely,

CEO and Board Member

Suat İnce

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INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)

D. ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD

Economic Developments in the First 6 Months of 2019

In the first quarter of 2019, Turkish economy contracted by 2,6% on a year-on-year basis. In the first quarter, household consumption and investments declined by 4,7% and 13%, respectively. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 1,3% in the first quarter of 2019 when compared to the previous quarter. As of the end of March 2019, the size of Turkish economy stood at TL 3,7 trillion (USD 747 billion).

Turkstat data revealed that annual inflation based on consumer prices was 15,7% as of June 2019. Completing 2018 at 20,3%, the inflation rate then declined due to sluggish domestic demand, falling food prices and fading adverse impact of previous TL depreciation.

Turkstat data suggests that industrial production retreated in the first five months of the year. The 9,9% decline in the first quarter of the year was replaced by 2,6% decline in the first two months of the second quarter.

In the first five months of the year, the declining demand in the EU market was replaced by the African and Middle East, resulting in a YoY 4,9% increase in Turkey's exports, bringing the total figure up to US\$72,7 billion. In the same period deterioration in the domestic demand and falling industrial production pulled imports down by 19,3% to USD 84,3 billion. This led the foreign trade deficit to fall to USD 11,6 billion with a decrease of 67,0%. In the first five months, the rate of exports meeting imports stood at 86,2%.

Current accounts deficit decreased by 89% year-on-year down to USD 3,1 billion in the first five months of 2018. Completing 2018 at USD 27,3 billion, 3,5% of the GDP, the annual current account deficit fell down to USD 2,4 billion as of May 2019.

Ministry of Finance and Treasury data showed that the central administration budget had a TL 78,6 billion deficit in the first half of 2019 with a year-on-year increase of 70,5%. Primary deficit rose from TL 12,3 billion to TL 27,8 billion. In the first 6 months of 2019, tax revenues rose by 4,4% reaching TL 307,7 billion, while expenses excluding interest surged by 17,7% and stood at TL 430,8 billion.

Markets

In the first half of the year, the agenda in global markets was dominated by the negative impact the escalating trade war between the US and China would make on global growth and the repercussions thereof on monetary policies. The US initially postponed an increase on tariffs on USD 200 billion of Chinese imports from February to early May but later imposed it by raising the trade tariffs on USD 200 billion of Chinese imports to 25% from 10% as the talks between the two countries in the meantime were to no avail. On the other hand, China declared that it could restrict the dispatch of 17 different rare earths used in manufacturing high-tech products to the US and that it would impose tariffs ranging from 5% to 25% on USD 60 billion of US goods, effective June 1. In the aftermath of such developments, messages were issued during the G20 meetings in late June that the United States and China might restart trade talks, raising positive expectations for the second half of the year. As trade wars escalate and the leading indicators of growth such as PMI and consumer confidence perform poorly in developed countries, the OECD, the IMF and the World Bank revised down their global growth projections. In 2018, global growth was projected to be 3,6% but now the global growth projections for 2019 are downgraded from a range of 2,9%-3,5% to 2,6%-3,3%. The US Federal Reserve (Fed) gradually hiked the policy rate from a range of 0,50%-0,75% to a range of 2,25%-2,50% in the last two years but announced in early 2019 that it paused rate hikes due to signals of a slowdown in economic growth. Following that announcement, expectations for rate reductions flourished in markets. The European Central Bank, on the other hand, not only postponed policy rate hike to the second half of 2020 but also expressed its intention to use other policy instruments to support the economy in the short run. The Bank announced that it would start a series of targeted longer-term refinancing operations in September.

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Weakening growth expectations and steps to move away from tight monetary policies led to a decline in global bond interests. The U.S. 10-year Treasury rate started the year at 2,93% before declining to 2,01% in June while Germany's 10-year bond rate started the period at 0,23% and ended it at -0,33%.

In the first half of the year, the impact of international developments on domestic markets remained rather limited. The repercussions of economic rebalancing process as well as municipal elections and economic measures on prices were observed clearly. Although inflation tended to decrease in the period, it remained high, which prompted the two-year benchmark bond rate to rise from 16,49% to 19,68%. The Central Bank of the Republic of Turkey (CBRT) announced it would not stop pursuing a tight monetary policy unless inflation dropped permanently. The CBRT retained the policy rate at 24%, suspended weekly repo auctions twice during the period and temporarily increased the weighted average cost of funding to 25,50%. Poor industrial production, coupled with the economic rebalancing process, negatively affected the equity market despite the fact that tax incentives in housing, automotive and furniture sectors among others had been extended until the end of June. In May, a new obligation was introduced, requiring 10% of standard pension mutual funds as well as 10% of government contributions in the Private Pension System to be invested in stocks until the end of July. BIST-100 started the period at 91,270 but later declined to 83.535 in mid-May before surging by 5,7% to 96.485 to close the period. Due to a high domestic demand in foreign exchange, coupled with geopolitical developments, USD-to-TL rate (CBRT) started the year at 5,26, rose to 6,25 during the period and closed it at 5,77.

Banking Sector

In the first six months of 2019, total loans grew by 2,6% on a FX-adjusted basis. This was driven by TL loans, which grew by 5,8%, while FX loans fell by 5,5%, continuing their downward trend of the past two years. FX loans of private banks retreated by 3,7%, while they were flat in the state-owned banks. For the last 12 months, loans narrowed by 0,7%, pointing out to an approximate decrease of 2,5 percentage points compared to 2018 year-end. In terms of loan types, slow-down in SMEs and consumer loans reached 9 and 4 points, respectively.

In the first six months of the year, deposits, which are the main funding sources of the sector, grew 6,4%, since the beginning of the year, with TL deposits staying flat and FX deposits growing by 13% on a currency-adjusted basis. The main factor in the growth of FX deposits was the 17,4% growth in savings deposits, while the commercial deposits also posted a 7,5% rise.

In 2019, despite of the strong accumulation of FX deposits, lack of FX loan disbursements led to Loan-to-deposit ratio strengthen on the TL side. Reaching 142% at the end of the first quarter, TL loan to deposit ratio retreated slightly to 137% at June-end. In total, slow-down in loan growth, pulled loan/deposit ratio to 107%, a 5.3-point decline compared to 2018-end.

Change YTD	In TL terms	FX adjusted
Loans	6,2%	2,6%
Deposits	11,4%	6,4%

Source: BRSA Weekly Bulletin, June 28, 2019

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E. GENERAL ASSEMBLY RESOLUTIONS

The Bank's annual Ordinary General Assembly meeting was held at the Head Office on March 28, 2019. General Assembly resolutions were shared with shareholders via the Interim Report for the Period of January 1 - March 31, 2019, the Bank's web site and the Public Disclosure Platform.

F. HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

In line with its disclosure of November 30, 2018, TSKB continued to purchase shares of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (TSKB REIT), in which TSKB is the controlling shareholder, and increased its share in the company's capital to 87,77%. The Bank also controls the total share of 0,82% held by Yatırım Finansman Menkul Değerler A.Ş. and TSKB Gayrimenkul Değerleme A.Ş., which are both controlled by the Bank, in the company.

The Bank has signed risk sharing facility agreement with the European Bank for Reconstruction and Development (EBRD) to finance the firms throughout Turkey. Within the scope of this agreement EBRD, together with TSKB, will be able to participate 50% of the investment or working capital loan needs of the firms up to an amount of 50 million Euro.

The İzmir branch of the Bank at the address of Cumhuriyet Bulvarı No. 140 Alan Apt. Pasaport Kat: 1 Alsancak Konak/İzmir, was closed down and deregistered from the commercial registry.

Developments Regarding the Bank's Corporate Governance Operations

TSKB's "Corporate Governance Disclosure Form" on Public Disclosure Platform (PDP) was updated in regard to Board Member and Committee changes occurred in April 8, 2019 and June 14, 2019. Related updates can be reached via these links on PDP: <https://www.kap.org.tr/en/Bildirim/757065>, <https://www.kap.org.tr/en/Bildirim/757066>, and <https://www.kap.org.tr/en/Bildirim/775049>

The Bank's updated "Anti-Bribery and Anti-Corruption Policy" has been published on <http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies>.

G. FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD

The summary for the Bank's main financial indicators as of June 30, 2019 is provided below:

The total assets grew by 18,9% year-on-year and by 8,7% compared to 2018 year-end and reached TL 41.6 billion.

As of June-end, the total gross loan portfolio stood at TL 30.6 billion, marking a surge of 12,3% year-on-year and 8,4% year-to-date. The loans to assets ratio stood at 73,5%. The ratio of non-performing loans to total loans was almost stable at 2,2%, the same as the previous quarter.

The shareholders' equity rose by 28,7% on a year-on-year basis and by 1,6% compared to 2018-end to reach TL 4,8 billion. Standing at 16,2% at 2018 year-end, the capital adequacy ratio edged up to 16,4% as of the end of June 2019.

In the first six months of 2019, the Bank posted a net interest income of TL 1.023,9 million with 51,5% annual surge, while the income from fees and commissions rose by 52,5% to reach TL 13 million. Cost-to-income ratio which was 10,8% at 2018 year-end and stood at 12% in the first half of 2019.

In the first half of the year, TSKB delivered a net income of TL 380,1 million with 17,1% year-on-year surge.

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G. FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD (continued)

Return on equity which was 16,0% in 2018 remained the same at the first half of 2019.

Return on assets was 1,9% in this period compared to 2,0% in 2018.

Forward-Looking Expectations

The Bank's forward looking expectations for 2019 remained unchanged.

H. RISK MANAGEMENT

TSKB's Risk Management Policies and the codes of practice pertaining to such policies are comprised of written standards set by the Board of Directors and applied by the Bank's senior management. Under TSKB's Risk Management Policies, the main risks the Bank is exposed to are identified as credit risks, asset-liability management risks (market risk, structural interest rate risk, liquidity risk) and operational risks. A Risk Management Department is established within the Bank to ensure compliance with the said risk policies and the codes of practice pertaining thereto and manage the risks the Bank is exposed to in parallel with these policies.

TSKB's Risk Management Department is actively involved in all processes regarding the management of risks and regularly reports to the Board of Directors, the Audit Committee, the senior management and the relevant departments within the Bank. The roles, responsibilities and structure of the Department are set in the Regulation on Risk Management Department.

I. FURTHER INFORMATION

Developments making a significant impact on the Bank's operations during the period are explained above. For further information, please refer to the 2018 Annual Report at the following link:

<http://www.tskb.com.tr/en/investor-relations/financial-information>