

# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi**

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

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Qualified Opinion**

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

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

**Basis for Qualified Opinion**

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

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

**Key Audit Matters**

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

Key Audit Matter	How the matter is addressed in our audit
<p><b>Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9</b></p>	
<p>As presented in Section 3 disclosure VIII the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 “Financial Instruments”. We considered the impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- The classification of the financial assets is based on the Bank’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Bank determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Bank management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul>	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank’s past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management’s key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.</li> <li>- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank’s Business model.</li> <li>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements</li> <li>- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank’s past performance. Evaluating the alignment of those forward looking parameters to Bank’s internal processes where applicable.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis.</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> <li>- Auditing of TFRS 9 disclosures.</li> </ul>

<b><i>Pension Fund Obligations</i></b>	
<p>Employees of the Bank are members of “TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı”, (“the Fund”), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVI the “Explanations on Liabilities regarding employee benefits” to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Bank’s present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020, there is no need for technical or actual deficit to book provision as of 31 December 2019.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial expert who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

<b><i>Derivative Financial Instruments</i></b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

### **Responsibilities of Management and Directors for the Unconsolidated Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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



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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) ; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities and financial statements for the period 1 January – 31 December 2019 are not in compliance with the TCC and the Bank’s articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



Yaşar Bivas, SMMM  
Partner

3 February 2020  
İstanbul, Türkiye

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

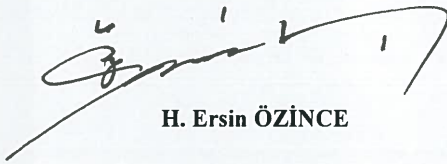
Address: Meclisi Mebusan Cad. No:81 Fındıklı /İstanbul  
Telephone: (212) 334 51 94  
Fax : (212) 334 52 34  
Web-site: [www.tskb.com.tr](http://www.tskb.com.tr)  
E-mail: [ir@tskb.com.tr](mailto:ir@tskb.com.tr)

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

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

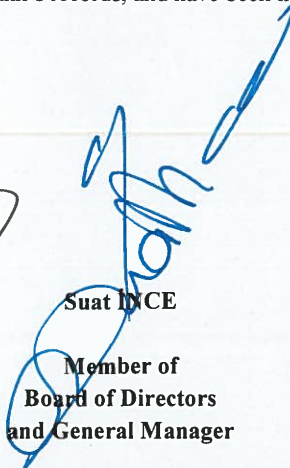
The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures in this report, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting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

3 February 2020



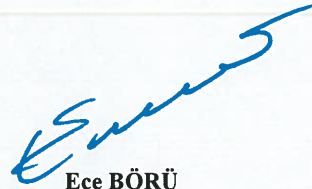
**H. Ersin ÖZİNCE**

Chairman of  
Board of Directors



**Suat İNCE**

Member of  
Board of Directors  
and General Manager



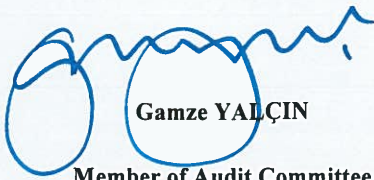
**Ece BÖRÜ**

Executive Vice President  
In Charge of Financial  
Reporting



**Tolga SERT**

Head of Financial  
Control Department



**Gamze YALÇIN**

Member of Audit Committee



**Mehmet ŞENCAN**

Member of Audit Committee

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

**Name-Surname / Title** : Ayşe Nazlıca / Head of Financial Institutions and Investor Relations  
**Telephone Number** : (212) 334 51 94



**SECTION ONE**

## General Information

I.	The Bank's incorporation date, beginning status, changes in the existing status .....	1
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 .....	1
III.	Explanations regarding the chairman and the members of board of the directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank .....	2
IV.	Information about the persons and institutions that have qualified shares in the Bank .....	3
V.	Summary on the Bank's functions and areas of activity .....	3
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 .....	3
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 .....	4

**SECTION TWO**

## Unconsolidated Financial Statements

I.	Unconsolidated balance sheet .....	5
II.	Unconsolidated statement of off-balance sheet items .....	7
III.	Unconsolidated statement of profit or loss .....	8
IV.	Unconsolidated statement of profit or loss and other comprehensive income .....	9
V.	Unconsolidated statement of changes in shareholders' equity .....	10
VI.	Unconsolidated statement of cash flows .....	12
VII.	Unconsolidated statement of profit distribution .....	13

**SECTION THREE**

## Accounting Policies

I.	Basis of presentation .....	14
II.	Explanations on usage strategy of financial assets and foreign currency transactions .....	16
III.	Explanations on forward and option contracts and derivative instruments .....	17
IV.	Explanations on associates and subsidiaries .....	18
V.	Explanations on interest income and expenses .....	18
VI.	Explanations on fees and commission income and expenses .....	19
VII.	Explanations on financial assets .....	19
VIII.	Explanations on impairment of financial assets .....	23
IX.	Explanations on offsetting, derecognition and restructuring of financial instruments .....	26
X.	Explanations on sales and repurchase agreements and lending of securities .....	28
XI.	Explanations on assets held for sale and discontinued operations .....	28
XII.	Explanations on goodwill and other intangible assets .....	29
XIII.	Explanations on tangible assets .....	29
XIV.	Explanations on leasing transactions .....	30
XV.	Explanations on provisions and contingent liabilities .....	30
XVI.	Explanations on liabilities regarding employee benefits .....	31
XVII.	Explanations on taxation .....	32
XVIII.	Additional explanations on borrowings .....	33
XIX.	Explanations on share certificates issued .....	33
XX.	Explanations on acceptances .....	33
XXI.	Explanations on government incentives .....	33
XXII.	Explanations on segment reporting .....	34
XXIII.	Explanations on other matters .....	35

**SECTION FOUR**

## Information on Financial Structure and Risk Management

I.	Explanations related to shareholders' equity .....	36
II.	Explanations related to credit risk .....	41
III.	Explanations related to currency risk .....	53
IV.	Explanations related to interest rate risk .....	55
V.	Explanations related to stock position risk .....	60
VI.	Explanations related to the liquidity risk management and liquidity coverage ratio .....	62
VII.	Explanations related to leverage ratio .....	69
VIII.	Explanations related to presentation of financial assets and liabilities at fair value .....	70
IX.	Explanations related to transactions made on behalf of others and fiduciary transactions .....	72
X.	Explanations related to risk management .....	72

**SECTION FIVE**

## Explanations and Disclosures on Unconsolidated Financial Statements

I.	Explanations and disclosures related to the assets .....	96
II.	Explanations and disclosures related to the liabilities .....	122
III.	Explanations and disclosures related to the off-balance sheet items .....	129
IV.	Explanations and disclosures related to the income statement .....	133
V.	Explanations related to the statement of changes in shareholders' equity .....	138
VI.	Explanations related to the statement of cash flows .....	139
VII.	Explanations on the risk group of the Bank .....	141
VIII.	Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank .....	142

**SECTION SIX**

## Other Explanations

I.	Other explanations related to operations of the Bank .....	143
II.	Other explanations related to the events after the reporting date .....	144

**SECTION SEVEN**

## Auditors' Report

I.	Explanations on the auditors' report .....	144
II.	Explanations and notes prepared by independent auditors .....	144

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

<b>Current Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

<b>Prior Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group	1.425.780	50,92	1.425.780	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.650	40,70	1.139.650	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

**The Chairman and The Members of Board of Directors:**

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

**General Manager and Vice Presidents**

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

(1) The shares of above directors in the Bank are symbolic.

(2) The Member of the Board of Directors Mrs. Ebru Özşuca resigned from her duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 8 April 2019, it is decided that Mrs. Gamze Yalçın was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

(3) The Member of the Board of Directors Mr. Mehmet Emin Özcan resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 14 June 2019, it is decided that Mr. Abdi Serdar Üstünsalih was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

(4) Prepared according to the organization chart of the Bank dated 12 December 2019.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci 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 YEAR ENDED 31 DECEMBER 2019**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

The Bank and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. and Yatırım Varlık Kiralama A.Ş. which founded on 20 September 2019 as a subsidiary of Yatırım Finansman Menkul Değerler A.Ş. are included in the accompanying consolidated financial statements line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

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

**Yatırım Finansman Menkul Değerler A.Ş. :**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

**TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 88,67%. The company's headquarters is located at Istanbul/Turkey.

**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 31 DECEMBER 2019**

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

ASSETS	Section 5 Note I	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018 (*)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>3.366.651</b>	<b>3.430.212</b>	<b>6.796.863</b>	<b>3.537.343</b>	<b>3.060.212</b>	<b>6.597.555</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>526.395</b>	<b>880.910</b>	<b>1.407.305</b>	<b>600.231</b>	<b>1.339.731</b>	<b>1.939.962</b>
1.1.1 Cash and Balances with Central Bank	(1)	509	803.528	804.037	6.349	736.875	743.224
1.1.2 Banks	(3)	288	77.844	78.132	20.650	603.104	623.754
1.1.3 Money Market Placements		525.628	-	525.628	573.252	-	573.252
1.1.4 Expected Credit Losses (-)		30	462	492	20	248	268
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>-</b>	<b>263.097</b>	<b>263.097</b>	<b>-</b>	<b>290.660</b>	<b>290.660</b>
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	263.097	263.097	-	290.660	290.660
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(4)</b>	<b>2.187.024</b>	<b>1.977.139</b>	<b>4.164.163</b>	<b>2.180.963</b>	<b>1.207.814</b>	<b>3.388.777</b>
1.3.1 Government Debt Securities		2.001.291	1.922.143	3.923.434	2.008.419	1.165.034	3.173.453
1.3.2 Equity Instruments		40.653	53.806	94.459	20.958	41.778	62.736
1.3.3 Other Financial Assets		145.080	1.190	146.270	151.586	1.002	152.588
<b>1.4 Derivative Financial Assets</b>	<b>(2)</b>	<b>653.232</b>	<b>309.066</b>	<b>962.298</b>	<b>756.149</b>	<b>222.007</b>	<b>978.156</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		653.232	309.066	962.298	756.149	222.007	978.156
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>6.542.075</b>	<b>26.586.973</b>	<b>33.129.048</b>	<b>5.589.482</b>	<b>23.989.476</b>	<b>29.578.958</b>
<b>2.1 Loans</b>	<b>(5)</b>	<b>4.529.117</b>	<b>26.766.177</b>	<b>31.295.294</b>	<b>3.949.733</b>	<b>23.851.985</b>	<b>27.801.718</b>
<b>2.2 Lease Receivables</b>	<b>(10)</b>	<b>-</b>	<b>128.874</b>	<b>128.874</b>	<b>-</b>	<b>133.929</b>	<b>133.929</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(6)</b>	<b>2.285.894</b>	<b>299.266</b>	<b>2.585.160</b>	<b>1.735.521</b>	<b>419.420</b>	<b>2.154.941</b>
2.4.1 Government Debt Securities		2.285.894	299.266	2.585.160	1.735.521	419.420	2.154.941
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>272.936</b>	<b>607.344</b>	<b>880.280</b>	<b>95.772</b>	<b>415.858</b>	<b>511.630</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(16)</b>	<b>64.403</b>	<b>-</b>	<b>64.403</b>	<b>1</b>	<b>-</b>	<b>1</b>
3.1 Held for Sale Purpose		64.403	-	64.403	1	-	1
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>1.366.520</b>	<b>-</b>	<b>1.366.520</b>	<b>1.322.466</b>	<b>-</b>	<b>1.322.466</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(7)</b>	<b>914.046</b>	<b>-</b>	<b>914.046</b>	<b>1.017.509</b>	<b>-</b>	<b>1.017.509</b>
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		914.046	-	914.046	1.017.509	-	1.017.509
<b>4.2 Subsidiaries (Net)</b>	<b>(8)</b>	<b>452.474</b>	<b>-</b>	<b>452.474</b>	<b>304.957</b>	<b>-</b>	<b>304.957</b>
4.2.1 Unconsolidated Financial Subsidiaries		448.295	-	448.295	301.178	-	301.178
4.2.2 Unconsolidated Non-Financial Subsidiaries		4.179	-	4.179	3.779	-	3.779
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>91.224</b>	<b>-</b>	<b>91.224</b>	<b>60.646</b>	<b>-</b>	<b>60.646</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>3.029</b>	<b>-</b>	<b>3.029</b>	<b>3.125</b>	<b>-</b>	<b>3.125</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		3.029	-	3.029	3.125	-	3.125
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(15)</b>	<b>38.528</b>	<b>-</b>	<b>38.528</b>	<b>3.535</b>	<b>-</b>	<b>3.535</b>
<b>X. OTHER ASSETS (Net)</b>	<b>(17)</b>	<b>110.332</b>	<b>400.151</b>	<b>510.483</b>	<b>80.779</b>	<b>651.046</b>	<b>731.825</b>
<b>TOTAL ASSETS</b>		<b>11.582.762</b>	<b>30.417.336</b>	<b>42.000.098</b>	<b>10.597.377</b>	<b>27.700.734</b>	<b>38.298.111</b>

(\*) 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 statement

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**

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

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018 (*)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	(3)	615.530	25.731.401	26.346.931	127.007	23.449.011	23.576.018
<b>III. MONEY MARKET BALANCES</b>		369.384	662.172	1.031.556	41.543	137.458	179.001
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(3)	-	6.023.450	6.023.450	-	6.949.189	6.949.189
4.1 Bills		-	-	-	-	-	-
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	6.023.450	6.023.450	-	6.949.189	6.949.189
<b>V. BORROWER FUNDS</b>		2.494	56.456	58.950	2.408	30.121	32.529
5.1 Borrower Funds		2.494	56.456	58.950	2.408	30.121	32.529
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	276.933	207.410	484.343	442.269	350.050	792.319
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		276.933	207.410	484.343	442.269	350.050	792.319
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(5)	34.278	-	34.278	-	-	-
<b>X. PROVISIONS</b>	(7)	237.349	22.070	259.419	247.284	10.292	257.576
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		14.724	-	14.724	12.089	-	12.089
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		222.625	22.070	244.695	235.195	10.292	245.487
<b>XI. CURRENT TAX LIABILITY</b>	(8)	77.425	-	77.425	91.846	-	91.846
<b>XII. DEFERRED TAX LIABILITY</b>	(8)	-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	-	1.830.045	1.830.045	-	1.549.774	1.549.774
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	1.830.045	1.830.045	-	1.549.774	1.549.774
<b>XV. OTHER LIABILITIES</b>		127.560	59.245	186.805	121.059	29.796	150.855
<b>XVI. SHAREHOLDERS' EQUITY</b>		5.670.253	(3.357)	5.666.896	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		901.026	(147)	900.879	843.954	5.756	849.710
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		51.932	(3.210)	48.722	(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		701.645	-	701.645	696.585	-	696.585
16.6.1 Prior Years' Profit/Loss		-	-	-	35.659	-	35.659
16.6.2 Current Year Profit/Loss		701.645	-	701.645	660.926	-	660.926
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7.411.206</b>	<b>34.588.892</b>	<b>42.000.098</b>	<b>5.861.854</b>	<b>32.436.257</b>	<b>38.298.111</b>

(\*) 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 31 DECEMBER 2019**

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

		Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
Section 5 Note III		TL	FC	Total	TL	FC	Total
<b>OFF BALANCE SHEET</b>							
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>7.646.516</b>	<b>56.481.115</b>	<b>64.127.631</b>	<b>9.601.673</b>	<b>54.896.234</b>	<b>64.497.907</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>450.736</b>	<b>4.096.982</b>	<b>4.547.718</b>	<b>487.947</b>	<b>2.685.862</b>	<b>3.173.809</b>
1.1 Letters of Guarantee		450.736	1.368.294	1.819.030	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		450.736	1.368.294	1.819.030	487.947	1.095.048	1.582.995
1.2 Bank Acceptances		-	190.447	190.447	-	-	-
1.2.1 Import Letter of Acceptance		-	190.447	190.447	-	-	-
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.1 Documentary Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>450.117</b>	<b>3.181.266</b>	<b>3.631.383</b>	<b>469.766</b>	<b>2.621.343</b>	<b>3.091.109</b>
2.1 Irrevocable Commitments		104.408	336.269	440.677	232.991	358.418	591.409
2.1.1 Forward Asset Purchase and Sale Commitments		4.506	16.898	21.404	29.356	67.684	97.040
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	96.782	96.782	400	97.405	97.805
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		99.902	222.589	322.491	203.235	193.329	396.564
2.2 Revocable Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.1 Revocable Loan Granting Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>6.745.663</b>	<b>49.202.867</b>	<b>55.948.530</b>	<b>8.643.960</b>	<b>49.589.029</b>	<b>58.232.989</b>
3.1 Derivative Financial Instruments for Hedging Purposes		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.1 Fair Value Hedge		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		6.745.663	32.682.437	39.428.100	8.643.960	31.560.900	40.204.860
3.2.1 Forward Foreign Currency Buy/Sell Transactions		2.715.295	2.672.415	5.387.710	1.819.934	1.981.015	3.800.949
3.2.1.1 Forward Foreign Currency Transactions-Buy		1.359.615	1.335.965	2.695.580	974.149	964.311	1.938.460
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.355.680	1.336.450	2.692.130	845.785	1.016.704	1.862.489
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		3.142.346	29.122.244	32.264.590	4.260.046	26.861.956	31.122.002
3.2.2.1 Foreign Currency Swap-Buy		523.843	6.474.510	6.998.353	827.263	6.479.239	7.306.502
3.2.2.2 Foreign Currency Swap-Sell		2.618.503	3.950.480	6.568.983	3.432.783	3.670.711	7.103.494
3.2.2.3 Interest Rate Swap-Buy		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.2.4 Interest Rate Swap-Sell		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.3 Foreign Currency, Interest Rate, and Securities Options		888.022	887.778	1.775.800	2.563.980	2.704.528	5.268.508
3.2.3.1 Foreign Currency Options-Buy		444.061	443.889	887.950	1.281.990	1.352.264	2.634.254
3.2.3.2 Foreign Currency Options-Sell		443.961	443.889	887.850	1.281.990	1.352.264	2.634.254
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	13.401	13.401
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>73.293.060</b>	<b>466.201.948</b>	<b>539.495.008</b>	<b>69.544.760</b>	<b>361.651.050</b>	<b>431.195.810</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>649.217</b>	<b>632.325</b>	<b>1.281.542</b>	<b>114.936</b>	<b>222.460</b>	<b>337.396</b>
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		55.046	632.325	687.371	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		593.923	-	593.923	51.229	-	51.229
<b>V. PLEDGES ITEMS</b>		<b>52.954.751</b>	<b>254.620.387</b>	<b>307.575.138</b>	<b>50.393.171</b>	<b>208.821.948</b>	<b>259.215.119</b>
5.1 Marketable Securities		471.248	13.784.545	14.255.793	484.248	12.637.631	13.121.879
5.2 Guarantee Notes		95.146	3.691.401	3.786.547	72.616	3.179.739	3.252.355
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.805.563	63.849.083	67.654.646	3.232.486	56.825.467	60.057.953
5.6 Other Pledged Items		48.582.794	173.295.358	221.878.152	46.603.821	136.179.111	182.782.932
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>19.689.092</b>	<b>210.949.236</b>	<b>230.638.328</b>	<b>19.036.653</b>	<b>152.606.642</b>	<b>171.643.295</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>80.939.576</b>	<b>522.683.063</b>	<b>603.622.639</b>	<b>79.146.433</b>	<b>416.547.284</b>	<b>495.693.717</b>

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 YEAR ENDED 31 DECEMBER 2019**

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

STATEMENT OF PROFIT OR LOSS		Audited Current Period 1 January 2019 – 31 December 2019	Audited Prior Period 1 January 2018 – 31 December 2018(*)	
		Section 5 Note IV		
I.	INTEREST INCOME	(1)	3.254.968	3.034.857
1.1	Interest on Loans		2.212.758	2.104.578
1.2	Interest Received from Reserve Deposits		7.101	10.258
1.3	Interest Received from Banks		54.384	35.785
1.4	Interest Received from Money Market Placements		290.421	107.120
1.5	Interest Received from Marketable Securities Portfolio		669.120	760.996
1.5.1	Fair Value through Profit or Loss		3	20
1.5.2	Fair Value through other Comprehensive Income		442.319	358.776
1.5.3	Measured at Amortized Cost		226.798	402.200
1.6	Finance Lease Interest Income		6.406	6.060
1.7	Other Interest Income		14.778	10.060
II.	INTEREST EXPENSES (-)	(2)	1.323.131	1.281.465
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		638.406	561.487
2.3	Interest on Money Market Borrowings		111.504	227.216
2.4	Interest on Securities Issued		556.212	491.351
2.5	Leasing Interest Expense		9.402	-
2.6	Other Interest Expense		7.607	1.411
III.	NET INTEREST INCOME (I - II)		1.931.837	1.753.392
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		29.758	19.001
4.1	Fees and Commissions Received		36.241	25.749
4.1.1	Non-cash Loans		25.157	21.798
4.1.2	Other		11.084	3.951
4.2	Fees and Commissions Paid (-)		6.483	6.748
4.2.1	Non-cash Loans		968	967
4.2.2	Other		5.515	5.781
V.	DIVIDEND INCOME	(3)	7.123	4.011
VI.	NET TRADING INCOME	(4)	(445.660)	(267.231)
6.1	Securities Trading Gains / (Losses)		1.320	2.013
6.2	Derivative Financial Instruments Gains / Losses		(553.297)	(477.108)
6.3	Foreign Exchange Gains / Losses (Net)		106.317	207.864
VII.	OTHER OPERATING INCOME	(5)	31.612	94.158
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		1.554.670	1.603.331
IX.	EXPECTED CREDIT LOSSES (-)	(6)	458.882	501.193
X.	OTHER PROVISION EXPENSES (-)	(6)	-	30.000
XI.	PERSONNEL EXPENSES (-)		126.726	106.436
XII.	OTHER OPERATING EXPENSES (-)	(7)	74.835	56.439
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		894.227	909.263
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)		894.227	909.263
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	192.582	248.337
18.1	Provision for Current Income Taxes		280.993	146.335
18.2	Deferred Tax Income Effect (+)		193.387	249.477
18.3	Deferred Tax Expense Effect (-)		281.798	147.475
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	(9)	701.645	660.926
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)	701.645	660.926
Earning / (loss) per share			0,251	0,236

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 YEAR ENDED 31 DECEMBER 2019**

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

	Reviewed Current Period 1 January 2019 – 31 December 2019	Reviewed Prior Period 1 January 2018 – 31 December 2018
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. CURRENT PERIOD INCOME / LOSS</b>	<b>701.645</b>	<b>660.926</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>246.247</b>	<b>597.207</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>51.169</b>	<b>712.005</b>
2.1.1 Property and Equipment Revaluation Increase / Decrease	-	9.367
2.1.2 Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain / Loss	(940)	(670)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	51.902	704.280
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	207	(972)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>195.078</b>	<b>(114.798)</b>
2.2.1 Foreign Currency Translation Differences	5.010	7.857
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	243.693	(157.048)
2.2.3 Cash Flow Hedge Income / Loss	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(53.625)	34.393
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>947.892</b>	<b>1.258.133</b>

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

		Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss							Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
Prior Period – 31 December 2018																		
I.	Prior Period End Balance		2.400.000	-	-	374	32.571	173	104.961	7.847	(39.405)	-	432.528	595.668	-	3.534.717	-	3.534.717
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	35.659	-	35.659	-	35.659
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35.659	-	35.659	-	35.659
III.	Adjusted Beginning Balance (I+II)		2.400.000	-	-	374	32.571	173	104.961	7.847	(39.405)	-	432.528	631.327	-	3.570.376	-	3.570.376
IV.	Total Comprehensive Income		-	-	-	-	8.337	(522)	704.190	7.857	(122.655)	-	-	-	660.926	1.258.133	-	1.258.133
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources		400.000	-	-	-	-	-	-	-	-	-	-	(400.000)	-	-	-	-
VII.	Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	86.163	(195.668)	-	(109.505)	-	(109.505)
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.865)	-	(109.865)	-	(109.865)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.163	(85.803)	-	360	-	360
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	35.659	660.926	4.719.004	-	4.719.004

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 YEAR ENDED 31 DECEMBER 2019**

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

Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss																		Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss																	
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity																	
Current Period – 31 December 2019																																			
I.	Prior Period End Balance		2.800.000	-	-	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		-	-	-	-	-	(733)	51.902	5.010	190.068	-	-	-	701.645	947.892	-	947.892																	
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 (III+IV+.....+X+XI)			2.800.000	-	-	374	40.908	(1.082)	861.053	20.714	28.008	-	1.215.276	-	701.645	5.666.896	-	5.666.896																	

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 YEAR ENDED 31 DECEMBER 2019**

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

	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>1.120.354</b>	<b>1.763.319</b>
1.1.1 Interest Received		2.912.455	2.463.185
1.1.2 Interest Paid		(1.161.310)	(1.243.147)
1.1.3 Dividends Received		7.123	4.011
1.1.4 Fees and Commissions Received		36.241	25.749
1.1.5 Other Income		4.708	6.135
1.1.6 Collections from Previously Written off Loans		84.517	9.014
1.1.7 Payments to Personnel and Service Suppliers		(124.566)	(107.255)
1.1.8 Taxes Paid		(294.562)	(107.872)
1.1.9 Others		(344.252)	713.499
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>810.466</b>	<b>(1.357.969)</b>
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		398.939	1.227.382
1.2.4 Net (Increase) (Decrease) in Other Assets		138.668	(387.971)
1.2.5 Net (Increase) (Decrease) in Bank Deposits		-	-
1.2.6 Net (Increase) (Decrease) in Other Deposits		-	-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-	-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		(358.481)	(1.545.419)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		631.340	(651.961)
<b>I. Net Cash Provided by / (used in) Banking Operations</b>		<b>1.930.820</b>	<b>405.350</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided by / (used in) Investing Activities</b>		<b>(516.643)</b>	<b>(477.255)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		(400)	(152.380)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(6.366)	(4.181)
2.4 Disposals of Property and Equipment		3.277	94
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(1.048.151)	(680.955)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		775.098	590.195
2.7 Purchase of Financial Assets Measured at Amortized Cost		(433.812)	(227.528)
2.8 Sale of Financial Assets Measured at Amortized Cost		195.251	-
2.9 Others		(1.540)	(2.500)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided by / (used in) Financing Activities</b>		<b>(2.019.964)</b>	<b>1.208.725</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-	1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.004.016)	-
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	(109.865)
3.5 Payments for Leases		(15.948)	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>3.262</b>	<b>45.114</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(602.525)</b>	<b>1.181.934</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>1.202.110</b>	<b>20.176</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>599.585</b>	<b>1.202.110</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

(1) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2019 yet, only profit available for distribution for the year 2019 is presented.

(2) A nominal value of 1 Kurus figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kurus.

(3) The current amount is deferred tax expense and the prior period amount is deferred tax income.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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 Bank prepared its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations and the amendments dated 1 February 2019 to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to announced to public dated 28 June 2012 and with No. 28337 "Communiqué" on Publicly Announced Financial Statements Explanations and notes to the Financial Statements".

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

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

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

The format and content of the accompanying unconsolidated financial statements and footnotes have been prepared in accordance with the "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.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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**

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

The Bank has started to apply “TFRS 16 Leases” Standard published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. The mentioned standard has a transition effect amounting to TL 40.824 in “tangible assets” and “lease liability” in the Bank's financial statements. As of 31 December 2019 The Bank recognized right of use asset classified under tangible assets amounting to TL 30.571, lease liability amounting to TL 34.278 , amortization expenses amounting to TL 10.253 and lease interest expenses amounting to TL 9.402. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Parent Bank.

**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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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)**

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

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

***Short-term leases and leases of low-value assets***

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

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

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the 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 indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

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

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

The Bank performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. TFRS 9 provides the option of deferring the adoption of TFRS 9 hedge accounting and the option to continue to apply the provisions of TAS 39 hedge accounting in the selection of accounting policies. In this context, the Bank continues to apply the provisions of TAS 39 hedge accounting.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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".

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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 (continued)**

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

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

**IV. Explanations on associates and subsidiaries**

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

**V. Explanations on interest income and expenses**

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VI. Explanations on interest income and expenses (continued)**

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

**VI. Explanations on fees and commission income and expenses**

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

**VII. Explanations on financial assets**

**Initial recognition of financial instruments**

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

**Initial measurement of financial instruments**

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

**Classification of financial instruments**

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

**Assessment of business model**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

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

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

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

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

**Other business models:**

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

**Measurement categories of financial assets and liabilities**

Financial assets are classified in three main categories as listed below:

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as “interest income” in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under “trading account income/losses” in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under “trading account income/losses”.

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

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

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

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

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

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

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

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

**d. Loans**

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

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

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

**VIII. Explanations on impairment of financial assets**

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

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

**Calculation of expected credit losses**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment of financial assets (continued)**

**Calculation of expected credit losses (continued)**

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

- Loan portfolio (corporate /specilization)
- Product type
- Credit risk rating notes (ratings)
- Collateral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

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

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

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

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

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

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

***Stage 1:***

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

***Stage 2:***

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**a. Offsetting of financial instruments**

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

**b. Derecognition of financial instruments**

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

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

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

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

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

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

**Derecognition of financial liabilities**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

**XI. Explanations on assets held for sale and discontinued operations**

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

Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entry remains committed to its plan to sell the asset (or disposal group). As of 31 December 2019, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I-16.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XII. Explanations on goodwill and other intangible assets**

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

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

**XIII. Explanations on tangible assets**

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on tangible assets (continued)**

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

<b>Tangible Assets</b>	<b>Expected Useful Lives (Years)</b>	<b>Depreciation Rate (%)</b>
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.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVI. Explanations on liabilities regarding employee benefits (continued)**

In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020. There is no need for technical or actual deficit to book provision as of 31 December 2019. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

**XVII. Explanations on taxation**

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

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXII. Explanations on segment reporting**

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

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

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	658.794	1.273.043	-	1.931.837
Net Fees and Commission Income	26.162	3.596	-	29.758
Other Income	13.780	-	24.955	38.735
Other Expense	(475.376)	(471.177)	(159.550)	(1.106.103)
Profit Before Tax	223.360	805.462	(134.595)	894.227
Tax Provision				(192.582)
<b>Net Profit</b>				<b>701.645</b>
<b>Current Period</b>				
Segment Assets	30.810.345	8.953.223	870.010	40.633.578
Investment in Associates and Subsidiaries	-	-	1.366.520	1.366.520
<b>Total Assets</b>	<b>30.810.345</b>	<b>8.953.223</b>	<b>2.236.530</b>	<b>42.000.098</b>
Segment Liabilities	34.200.426	1.031.556	1.101.220	36.333.202
Shareholders' Equity	-	-	5.666.896	5.666.896
<b>Total Liabilities</b>	<b>34.200.426</b>	<b>1.031.556</b>	<b>6.768.116</b>	<b>42.000.098</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	795.430	957.962	-	1.753.392
Net Fees and Commission Income	20.698	(1.697)	-	19.001
Other Income	-	-	98.169	98.169
Other Expense	(512.293)	(289.978)	(159.028)	(961.299)
Profit Before Tax	303.835	666.287	(60.859)	909.263
Tax Provision				(248.337)
<b>Net Profit</b>				<b>660.926</b>
<b>Prior Period</b>				
Segment Assets	27.716.305	8.397.472	861.868	36.975.645
Investment in Associates and Subsidiaries	-	-	1.322.466	1.322.466
<b>Total Assets</b>	<b>27.716.305</b>	<b>8.397.472</b>	<b>2.184.334</b>	<b>38.298.111</b>
Segment Liabilities	31.320.591	933.391	1.325.125	33.579.107
Shareholders' Equity	-	-	4.719.004	4.719.004
<b>Total Liabilities</b>	<b>31.320.591</b>	<b>933.391</b>	<b>6.044.129</b>	<b>38.298.111</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Explanations related to shareholders' equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019, the capital adequacy ratio of Bank has been calculated as 17,79% (31 December 2018:16,20%).

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	1.215.276	518.691
Other comprehensive income according to TAS	1.018.786	942.117
Profit	701.645	696.585
Current Period Profit	701.645	660.926
Prior Period Profit	-	35.659
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	13.258
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>5.736.081</b>	<b>4.971.025</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	69.185	252.021
Leasehold improvements on operational leases	2.202	3.625
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.029	3.125
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	367.333	556.914
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
<b>Total Regulatory Adjustments to Tier I Capital</b>	<b>441.749</b>	<b>815.685</b>
<b>Core Equity Tier I Capital</b>	<b>5.294.332</b>	<b>4.155.340</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>5.294.332</b>	<b>4.155.340</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	1.774.800	1.540.500
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	498.713	359.752
<b>Tier II Capital Before Deductions</b>	<b>2.273.513</b>	<b>1.900.252</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>2.273.513</b>	<b>1.900.252</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>7.567.845</b>	<b>6.055.592</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	7.567.845	6.055.592
Total Risk Weighted Assets	42.536.184	37.368.844
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	12,45	11,12
Tier I Capital Adequacy Ratio (%)	12,45	11,12
Capital Adequacy Ratio (%)	17,79	16,20
<b>BUFFERS</b>		
Total buffer requirement (%)	2,510	1,883
Capital conservation buffer requirement (%)	2,500	1,875
Bank specific counter-cyclical buffer requirement (%)	0,010	0,008
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,45	5,12
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	566.166	471.226
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	552.284	359.752
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	498.713	359.752
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4</b>		
<b>(to be implemented between 1 January 2018 and 1 January 2022)</b>	-	-
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Explanations related to shareholders' equity (continued)**

**Details on Subordinated Liabilities**

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominque on Subordinated Liabilities of CMB numbered CMB-II-31.1
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date – Million USD )	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Debt Instruments
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5th year)
Subsequent call dates, if applicable	After 5th year only for once
<b>Interest and Dividend Payments</b>	
Fixed or floating dividend/coupon	Fixed / semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliance with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk**

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

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

	Current Period		Prior Period	
	Risk Amount (1)	Average Risk Amount(2)	Risk Amount (1)	Average Risk Amount(2)
Exposures to sovereigns and their central banks	7.537.945	6.964.910	6.236.634	6.025.766
Exposures to regional and local governments	-	-	-	-
Exposures to administrative bodies and noncommercial entities	5.639	30.878	11.621	3.522
Exposures to multilateral development banks	-	-	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	2.602.654	3.857.108	3.143.715	2.663.194
Exposures to corporates	54.929.636	52.129.922	47.303.719	42.068.121
Retail exposures	-	-	-	-
Exposures secured by property	1.654.869	1.516.447	1.395.232	1.240.266
Past due receivables	749.429	555.963	427.721	237.052
Exposures in higher-risk categories	626.348	357.746	106.668	52.661
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-
Equity investments	1.158.049	908.227	828.289	625.234
Other exposures	262.508	597.587	331.766	803.161

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

(2) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

There are control limits on positions held in the form of futures and options contracts and other similar contracts. Limits are continuously checked by the bank management. Credit risk is managed together with the potential risks arising from market movements. Credit risk, market risk, liquidity risk and other risks are considered as a whole. When exposed to significant credit risk, the Bank is on the verge of reducing total risk by concluding futures and similar contracts, exercising their rights, fulfilling or selling their performances in a short period of time. Indemnified non-cash loans are subject to the same risk weight as the unpaid credits when they occur.

Except for the monitoring method determined by the related legislation of the renewed and re-amortized loans, the current rating of the relevant company is changed within the Bank within the scope of internal rating application and all kinds of measures are taken for risk classification. The Bank follows concentration on a maturity basis and examines the risks that differ from the normal course. Foreign transactions are made with many correspondent banks in many countries. The counterparty limits have been set in transactions with banks. As an active participant in the international banking market, the Bank does not have significant credit risk concentration when evaluated together with the financial activities of other financial institutions.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

The first 100 and 200 largest cash loans constitute 73,38% and 92,54% of the total cash loans portfolio of the Bank respectively (31 December 2018: 71,24% and 89,45%).

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

The first 100 and 200 largest cash and non cash loans constitute 72,73% and 91,86% of the total on and off balance sheet accounts of the Bank respectively (31 December 2018: 70,60% and 89,19%).

The Bank calculated the expected credit loss provision amounting to TL 555.774 in accordance with TFRS 9 impairment model. (31 December 2018: TL 362.362.)

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

Information of credit amounts rated by internal rating model is given table below.

<b>Loan Quality Categories</b>	<b>Current Period</b>	<b>Prior Period</b>
Above Average Grade	9.281.586	8.454.861
Average Grade	20.299.648	19.215.700
Below Average Grade	5.408.531	3.133.218
Impaired	1.105.055	595.338
<b>Total</b>	<b>36.094.820</b>	<b>31.399.117</b>

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 36.234.983 and TL 140.163 of these customers have not been rated.

In cases where financial institutions do not have their own external ratings, the credit quality of the bank, which is the main shareholder of the financial institution, is evaluated as an average, taking into account the external rating of the bank.

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Profile of significant exposures in major region*

						Risk Types (1)											
Current Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Domestic	7.512.652	-	1.128	-	-	1.569.356	31.396.930	-	1.651.791	749.429	77.654	-	-	-	91.820	49.012	43.099.772
European Union (EU) Countries	-	-	-	-	-	249.122	-	-	-	-	-	-	-	-	53.806	96.782	399.710
OECD Countries (2)	-	-	-	-	-	10.001	-	-	-	-	-	-	-	-	-	-	10.001
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	172.899	-	-	-	-	-	-	-	-	-	-	172.899
Other Countries	-	-	-	-	-	-	123.972	-	-	-	-	-	-	-	-	-	123.972
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.012.423	-	1.012.423
Unallocated Assets/ Liabilities (3)	-	-	-	-	-	-	1.459	-	-	-	-	-	-	-	-	95.295	96.754
Total	7.512.652	-	1.128	-	-	2.001.378	31.522.361	-	1.651.791	749.429	77.654	-	-	-	1.158.049	241.089	44.915.531

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada.

(3) Includes asset and liability items that cannot be allocated on a consistent basis.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Profile of significant exposures in major region (continued)*

						Risk Types (1)											
Prior Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Domestic	6.274.497	-	2.324	-	-	1.966.797	27.927.285	-	1.388.579	427.721	1.114	-	-	-	18.593	80.389	38.087.299
European Union (EU) Countries	-	-	-	-	-	516.755	-	-	-	-	-	-	-	-	41.778	97.405	655.938
OECD Countries (2)	-	-	-	-	-	3.229	-	-	-	-	-	-	-	-	-	-	3.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	100.763	-	-	-	-	-	-	-	-	-	-	100.763
Other Countries	-	-	-	-	-	-	109.969	-	-	-	-	-	-	-	-	-	109.969
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	767.918	-	767.918
Unallocated Assets/ Liabilities (3)	-	-	-	-	-	-	1.283	-	-	-	-	-	-	-	-	56.976	58.259
Total	6.274.497	-	2.324	-	-	2.587.544	28.038.537	-	1.388.579	427.721	1.114	-	-	-	828.289	234.770	39.783.375

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada

(3) Includes asset and liability items that cannot be allocated on a consistent basis

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Risk profile by sectors or counterparties*

Current Period	Risk Types (1)																TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures			
Agriculture	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	340	29.284	8.781	38.065
Farming and Stockbreeding	-	-	-	-	-	-	34.935	-	-	2.790	-	-	-	-	-	-	28.944	8.781	37.725
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	20.513.652	-	372.166	670.336	77.654	-	-	-	-	-	1.159.284	20.474.524	21.633.808
Mining and Quarrying	-	-	-	-	-	-	577.828	-	16.880	-	-	-	-	-	-	-	-	594.708	594.708
Production	-	-	-	-	-	-	6.383.965	-	343.041	7.737	7	-	-	-	-	-	734.041	6.000.709	6.734.750
Electricity, Gas and Water	-	-	-	-	-	-	13.551.859	-	12.245	662.599	77.647	-	-	-	-	-	425.243	13.879.107	14.304.350
Construction	-	-	-	-	-	-	1.073.133	-	336.448	1.880	-	-	-	-	-	-	240.758	1.170.703	1.411.461
Services	804.012	-	1.128	-	-	2.001.378	9.708.254	-	928.324	74.423	-	-	-	-	1.158.049	96.782	3.291.630	11.480.720	14.772.350
Wholesale and Retail Trade	-	-	-	-	-	-	579.721	-	6.598	74423	-	-	-	-	-	-	235.666	425.076	660.742
Accommodation and Dining	-	-	-	-	-	-	460.927	-	676.998	-	-	-	-	-	-	-	86.721	1.051.204	1.137.925
Transportation and Telecommunication	-	-	-	-	-	-	2.267.772	-	-	-	-	-	-	-	65.459	-	86.341	2.246.890	2.333.231
Financial Institutions	804.012	-	1.128	-	-	2.001.378	3.650.355	-	-	-	-	-	-	-	1.088.411	96.782	2.349.613	5.292.453	7.642.066
Real Estate and Rental Services	-	-	-	-	-	-	277.980	-	-	-	-	-	-	-	-	-	7.816	270.164	277.980
Professional Services	-	-	-	-	-	-	1.472.443	-	-	-	-	-	-	-	4.179	-	466.164	1.010.458	1.476.622
Educational Services	-	-	-	-	-	-	192.336	-	17.395	-	-	-	-	-	-	-	50.094	159.637	209.731
Health and Social Services	-	-	-	-	-	-	806.720	-	227.333	-	-	-	-	-	-	-	9.215	1.024.838	1.034.053
Others	6.708.640	-	-	-	-	-	192.387	-	14.853	-	-	-	-	-	-	143.967	4.625.962	2.433.885	7.059.847
<b>Total</b>	<b>7.512.652</b>	<b>-</b>	<b>1.128</b>	<b>-</b>	<b>-</b>	<b>2.001.378</b>	<b>31.522.361</b>	<b>-</b>	<b>1.651.791</b>	<b>749.429</b>	<b>77.654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.158.049</b>	<b>241.089</b>	<b>9.346.918</b>	<b>35.568.613</b>	<b>44.915.531</b>

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Risk profile by sectors or counterparties (continued)*

	Risk Types (1)																		
<b>Prior Period</b>	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	TL	FC	Total
Agriculture	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	340	33.050	44.917	77.967
Farming and Stockbreeding	-	-	-	-	-	-	77.627	-	-	-	-	-	-	-	-	-	32.710	44.917	77.627
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	18.424.244	-	390.215	417.732	1.114	-	-	-	-	-	1.024.780	18.208.525	19.233.305
Mining and Quarrying	-	-	-	-	-	-	574.527	-	16.880	-	-	-	-	-	-	-	12.155	579.252	591.407
Production	-	-	-	-	-	-	5.447.388	-	223.227	-	-	-	-	-	-	-	783.423	4.887.192	5.670.615
Electricity, Gas and Water	-	-	-	-	-	-	12.402.329	-	150.108	417.732	1.114	-	-	-	-	-	229.202	12.742.081	12.971.283
Construction	-	-	-	-	-	-	1.113.505	-	215.620	1.742	-	-	-	-	-	-	207.493	1.123.374	1.330.867
Services	743.202	-	2.324	-	-	2.587.544	7.963.538	-	767.165	8.247	-	-	-	-	828.289	177.443	2.540.765	10.536.987	13.077.752
Wholesale and Retail Trade	-	-	-	-	-	-	561.081	-	6.598	-	-	-	-	-	-	-	6.792	560.887	567.679
Accommodation and Dining	-	-	-	-	-	-	561.724	-	653.028	-	-	-	-	-	-	-	107.383	1.107.369	1.214.752
Transportation and Telecommunication	-	-	-	-	-	-	1.959.931	-	-	-	-	-	-	-	1.056	-	1.625	1.959.362	1.960.987
Financial Institutions	743.202	-	2.324	-	-	2.587.544	2.327.813	-	-	-	-	-	-	-	823.454	177.443	1.970.948	4.690.832	6.661.780
Real Estate and Rental Services	-	-	-	-	-	-	377.052	-	57.961	8.247	-	-	-	-	-	-	8.247	435.013	443.260
Professional Services	-	-	-	-	-	-	1.089.457	-	-	-	-	-	-	-	3.779	-	426.464	666.772	1.093.236
Educational Services	-	-	-	-	-	-	133.827	-	23.010	-	-	-	-	-	-	-	877	155.960	156.837
Health and Social Services	-	-	-	-	-	-	952.653	-	26.568	-	-	-	-	-	-	-	18.429	960.792	979.221
Others	5.531.295	-	-	-	-	-	459.623	-	15.579	-	-	-	-	-	-	56.987	3.985.349	2.078.135	6.063.484
<b>Total</b>	<b>6.274.497</b>	<b>-</b>	<b>2.324</b>	<b>-</b>	<b>-</b>	<b>2.587.544</b>	<b>28.038.537</b>	<b>-</b>	<b>1.388.579</b>	<b>427.721</b>	<b>1.114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>828.289</b>	<b>234.770</b>	<b>7.791.437</b>	<b>31.991.938</b>	<b>39.783.375</b>

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

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

Risk Types (1)	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Current Period					
Exposures to sovereigns and their central banks	843.155	358.011	391.497	158.809	4.875.385
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	1.128	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	703.446	272.595	380.933	308.290	336.065
Exposures to corporates	2.210.425	968.321	1.217.869	2.043.538	24.750.075
Retail exposures	-	-	-	-	-
Exposures secured by property	-	-	15.553	30.821	1.605.416
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	7.920	292	-	140	41.989
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	26	-	247	-	13.190
<b>Total</b>	<b>3.766.100</b>	<b>1.599.219</b>	<b>2.006.099</b>	<b>2.541.598</b>	<b>31.622.120</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

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

Risk Types (1)	Term to Maturity				
Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	743.202	45.012	312.004	513.776	4.619.586
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	2.324	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	1.566.581	170.582	44.950	-	803.585
Exposures to corporates	1.049.490	764.440	837.867	1.646.756	23.532.190
Retail exposures	-	-	-	-	-
Exposures secured by property	395	-	63.006	18.081	1.307.096
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	1.114
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	833	-	-	518	21.631
Total	3.362.825	980.034	1.257.827	2.179.131	30.285.202

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Credit risk under standard approach*

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in capital adequacy calculation regarding exposures to banks and securities firm and corporates reside abroad, sovereigns and central bank. Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Risk Types		
			Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Original Maturities Less Than 3 Months	Claims with Original Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	Unrated	100%	20% (1)	50% (1)	100%

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Exposures by risk weights**

<b>Current Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation	5.093.761	-	1.309.159	407.242	-	37.477.711	79.240	-	566.166	372.564
Exposures After Credit Risk Mitigation	5.240.740	-	1.309.159	2.059.033	-	35.661.193	79.240	-	566.166	372.564

<b>Prior Period</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Deducted from Equity</b>
Exposures Before Credit Risk Mitigation	4.458.690	-	1.050.126	635.810	-	33.177.283	2.565	-	471.226	563.664
Exposures After Credit Risk Mitigation	4.646.082	-	1.050.126	2.025.943	-	31.587.433	2.565	-	471.226	563.664

*Miscellaneous information by key sectors or counterparty*

All of the Bank's impaired and underdeveloped receivables consist of domestic buyers.

<b>Current Period</b>	<b>Loans (1)</b>		<b>Provisions</b>
<b>Major Sectors / Counterparties</b>	<b>Impaired</b>		<b>Expected Credit Losses (TFRS 9)</b>
	<b>Significant Increase in Credit Risk (Stage 2)</b>	<b>Defaulted (Stage 3)</b>	
Agriculture	-	27.898	25.108
Farming and Stockbreeding	-	27.898	25.108
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.650.408	957.369	465.954
Mining and Quarrying	-	196	196
Production	336.505	18.277	38.327
Electricity, Gas and Water	1.313.903	938.896	427.431
Services	1.547.731	113.255	200.516
Wholesale and Retail Trade	69.088	107.441	52.364
Accommodation and Dining	-	-	-
Transportation and Telecommunication	164.354	-	53.229
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	926.288	5.814	46.196
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	388.001	-	48.727
Others	201.212	4.352	12.674
<b>Total</b>	<b>3.399.351</b>	<b>1.102.874</b>	<b>704.252</b>

(1) Includes cash loans and leasing receivables.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

*Miscellaneous information by key sectors or counterparty (continued)*

Prior Period	Loans (1)		Provisions
Major Sectors / Counterparties	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	-	-
Farming and Stockbreeding	-	-	-
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.541.322	563.077	261.213
Mining and Quarrying	-	195	195
Production	179.778	6.975	23.552
Electricity, Gas and Water	1.361.544	555.907	237.466
Services	940.633	20.618	92.768
Wholesale and Retail Trade	-	-	-
Accommodation and Dining	2.378	-	53
Transportation and Telecommunication	136.988	-	15.754
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	801.267	20.618	76.961
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	-	-	-
Others	170.944	8.679	21.812
<b>Total</b>	<b>2.652.899</b>	<b>592.374</b>	<b>375.793</b>

(1) Includes cash loans.

*Information related with value adjustments and loan loss provisions*

Current Period	Opening balance (1)	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	164.653	198.007	(9.215)	-	353.445
Stage 1-2 Provisions	362.362	193.412	-	-	555.774

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	48.025	125.642	(9.014)	-	164.653
Stage 1-2 Provisions	148.863	213.499	-	-	362.362

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to credit risk (continued)**

**Exposures Subject to Countercyclical Capital Buffer**

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

<b>Current Period</b> <b>Country risk taken ultimately</b>	<b>Private Sector Loans in Banking Book</b>	<b>Risk Weighted Amount calculations for Trading Book</b>	<b>Total</b>
United States	39.819	-	39.819
Georgia	123.972	-	123.972
England	51.710	-	51.710
Turkey	37.295.281	-	37.295.281
<b>Total</b>	<b>37.510.782</b>	<b>-</b>	<b>37.510.782</b>

<b>Prior Period</b> <b>Country risk taken ultimately</b>	<b>Private Sector Loans in Banking Book</b>	<b>Risk Weighted Amount calculations for Trading Book</b>	<b>Total</b>
United States	5.823	-	5.823
Georgia	109.969	-	109.969
England	62.733	-	62.733
Turkey	32.532.046	-	32.532.046
<b>Total</b>	<b>32.710.571</b>	<b>-</b>	<b>32.710.571</b>

**III. Explanations related to currency risk**

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

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

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

	<b>1 US Dollar</b>	<b>1 Euro</b>
<b>The Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2019	5,9160	6,6289
<b><u>Prior Five Workdays:</u></b>		
30 December 2019	5,9150	6,6213
27 December 2019	5,9075	6,5697
26 December 2019	5,9100	6,5547
25 December 2019	5,9140	6,5560
24 December 2019	5,9100	6,5539

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to currency risk (continued)**

*Information on the Bank's foreign currency risk:*

Current Period	Euro	US Dollar	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	326.415	477.113	-	803.528
Banks	18.601	51.548	7.695	77.844
Financial Assets at Fair Value Through Profit or Loss (1)	74.570	378.039	1.012	453.621
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	61.199	1.915.940	-	1.977.139
Loans (2)	13.526.294	14.764.672	-	28.290.966
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	299.266	-	299.266
Derivative Financial Assets for Hedging Purposes	-	67.884	-	67.884
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	76.468	323.096	-	399.564
<b>Total Assets</b>	<b>14.083.547</b>	<b>18.277.558</b>	<b>8.707</b>	<b>32.369.812</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	128.954	533.218	-	662.172
Funds Provided From Other Financial Institutions	11.843.455	13.887.946	-	25.731.401
Marketable Securities Issued (4)	-	7.853.495	-	7.853.495
Miscellaneous Payables	7.953	49.227	405	57.585
Derivative Financial Liabilities for Hedging Purposes (5)	-	16.545	-	16.545
Other Liabilities (6)	84.827	117.885	494	203.206
<b>Total Liabilities</b>	<b>12.065.189</b>	<b>22.458.316</b>	<b>899</b>	<b>34.524.404</b>
<b>Net Balance Sheet Position</b>	<b>2.018.358</b>	<b>(4.180.758)</b>	<b>7.808</b>	<b>(2.154.592)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(1.929.912)</b>	<b>4.460.081</b>	<b>(7.788)</b>	<b>2.522.381</b>
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(2.967.435)	(2.614.729)	(157.686)	(5.739.850)
Non-Cash Loans (7)	1.806.354	2.287.913	2.715	4.096.982
<b>Prior Period</b>				
Total Assets	12.782.716	16.915.932	17.057	29.715.705
Total Liabilities	11.471.315	20.926.945	952	32.399.212
<b>Net Balance Sheet Position</b>	<b>1.311.401</b>	<b>(4.011.013)</b>	<b>16.105</b>	<b>(2.683.507)</b>
<b>Net Off –Balance Sheet Position</b>	<b>(1.222.855)</b>	<b>3.956.152</b>	<b>(14.992)</b>	<b>2.718.305</b>
Financial Derivative Assets	1.902.722	6.761.213	153.506	8.817.441
Financial Derivative Liabilities	(3.125.577)	(2.805.061)	(168.498)	(6.099.136)
Non-Cash Loans (7)	1.351.786	1.334.076	-	2.685.862

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

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

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

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

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

Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.

(6) Marketable securities value increase fund amounting to TL (3.357), exchange rate differences arising from derivative transactions amounting to TL 45.752, forward foreign exchange purchase transaction rediscounts amounting to TL 24, and other provisions amounting to TL 22.070 have not been included in "Other Liabilities".

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to currency risk (continued)**

The Bank is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	28.442	(6.030)	(509)	544
Euro	10	8.835	8.823	10	31
Other	10	2	111	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(28.442)	6.030	509	(544)
Euro	10	(8.835)	(8.823)	(10)	(31)
Other	10	(2)	(111)	-	-

(1) Values expressed are before the tax effect.

(2) Effect on equity does not include effect on profit/loss.

**IV. Explanations related to interest rate risk**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total (2)
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2)	803.582	-	-	-	-	26	803.608
Banks (2)	66.978	-	-	-	-	11.120	78.098
Financial Assets at Fair Value Through Profit and Loss (3)	187.071	401.575	316.607	151.629	168.513	-	1.225.395
Money Market Placements (2)	252.767	272.580	252	-	-	-	525.599
Financial Assets at Fair Value Through Other Comprehensive Income (2)	159.716	436.915	1.147.301	1.646.055	679.717	94.459	4.164.163
Loans (2)	5.398.515	7.365.035	8.697.347	5.230.649	3.855.702	-	30.547.248
Financial Assets Measured at Amortized Cost (2)	338.296	994.092	950.535	-	298.877	-	2.581.800
Other Assets (2)	-	-	-	64.403	-	2.009.784	2.074.187
<b>Total Assets</b>	<b>7.206.925</b>	<b>9.470.197</b>	<b>11.112.042</b>	<b>7.092.736</b>	<b>5.002.809</b>	<b>2.115.389</b>	<b>42.000.098</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.031.556	-	-	-	-	-	1.031.556
Miscellaneous Payables	-	-	-	-	-	69.967	69.967
Marketable Securities Issued (4)	-	-	2.087.826	5.765.669	-	-	7.853.495
Funds Provided from Other Financial Institutions	3.646.106	6.176.586	9.490.539	2.692.068	4.341.632	-	26.346.931
Other Liabilities	121.783	222.183	127.051	47.604	-	6.179.528	6.698.149
<b>Total Liabilities</b>	<b>4.799.445</b>	<b>6.398.769</b>	<b>11.705.416</b>	<b>8.505.341</b>	<b>4.341.632</b>	<b>6.249.495</b>	<b>42.000.098</b>
<b>Balance Sheet Long Position</b>	<b>2.407.480</b>	<b>3.071.428</b>	<b>-</b>	<b>-</b>	<b>661.177</b>	<b>-</b>	<b>6.140.085</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>(593.374)</b>	<b>(1.412.605)</b>	<b>-</b>	<b>(4.134.106)</b>	<b>(6.140.085)</b>
<b>Off-Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.035.583</b>	<b>673.362</b>	<b>-</b>	<b>4.708.945</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1.184.952)</b>	<b>(1.317.889)</b>	<b>(1.773.188)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4.276.029)</b>
<b>Total Position</b>	<b>1.222.528</b>	<b>1.753.539</b>	<b>(2.366.562)</b>	<b>2.622.978</b>	<b>1.334.539</b>	<b>(4.134.106)</b>	<b>432.916</b>

(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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
<b>Assets</b>							
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
Available-for-Sale Financial Assets	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
<b>Total Assets</b>	<b>7.519.569</b>	<b>8.448.851</b>	<b>11.348.095</b>	<b>7.010.560</b>	<b>1.428.588</b>	<b>2.542.448</b>	<b>38.298.111</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	178.907	94	-	-	-	-	179.001
Miscellaneous Payables	-	-	-	-	-	31.819	31.819
Marketable Securities Issued (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
<b>Total Liabilities</b>	<b>4.569.939</b>	<b>8.671.058</b>	<b>6.835.576</b>	<b>10.732.910</b>	<b>2.269.347</b>	<b>5.219.281</b>	<b>38.298.111</b>
<b>Balance Sheet Long Position</b>	<b>2.949.630</b>	<b>-</b>	<b>4.512.519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.462.149</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>(222.207)</b>	<b>-</b>	<b>(3.722.350)</b>	<b>(840.759)</b>	<b>(2.676.833)</b>	<b>(7.462.149)</b>
Off-Balance Sheet Long Position	-	-	-	6.677.488	541.315	-	7.218.803
Off-Balance Sheet Short Position	(1.720.265)	(1.897.660)	(3.335.297)	-	-	-	(6.953.222)
<b>Total Position</b>	<b>1.229.365</b>	<b>(2.119.867)</b>	<b>1.177.222</b>	<b>2.955.138</b>	<b>(299.444)</b>	<b>(2.676.833)</b>	<b>265.581</b>

(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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

	Euro	US Dollar	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	4,72	1,55	-	-
Financial Assets at Fair Value Through Profit and Loss (2)	-	10,05	-	-
Money Market Placements	-	-	-	13,50
Financial Assets at Fair Value Through Other Comprehensive Income	4,24	4,76	-	17,49
Loans	4,59	6,72	-	16,12
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	-
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,03	2,87	-	10,78

(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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to interest rate risk (continued)**

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

	Euro	US Dollar	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	2,10	-	11,35
Banks	-	2,30	-	25,75
Financial Assets at Fair Value Through Profit and Loss (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
<b>Liabilities</b>				
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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to stock position risk**

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

**Equity shares risk due from banking book**

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

<b>Current Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>851.774</b>	<b>851.774</b>	<b>851.774</b>
Quoted	851.774	851.774	851.774
<b>Investment in Shares-Grade B</b>	<b>346.953</b>	<b>346.953</b>	<b>346.953</b>
Quoted	346.953	346.953	346.953

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to stock position risk (continued)**

**Equity shares risk due from banking book (continued)**

Current Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	761.602	761.602	-	-	-
Other Share Certificates	-	120.256	120.256	-	-	-
<b>Total</b>	-	<b>881.858</b>	<b>881.858</b>	-	-	-

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**1. Explanations related to the liquidity risk**

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

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

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

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

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

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

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

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

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**1. Explanations related to the liquidity risk (continued)**

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

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

**1.d Information on unconsolidated liquidity risk mitigation techniques**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**2. Liquidity Coverage Ratio**

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

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets	-	-	3.868.331	1.696.188
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	32	5	3	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	32	5	3	1
5 Unsecured Funding other than Retail and Small Business, Customers Deposits	2.457.654	2.186.604	2.061.817	1.801.265
6 Operational deposits	98.291	84.906	24.573	21.226
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.359.363	2.101.698	2.037.244	1.780.039
9 Secured funding	-	-	-	-
10 Other Cash Outflows	936.105	1.230.464	936.105	1.230.464
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	758.360	1.052.719	758.360	1.052.719
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	177.745	177.745	177.745	177.745
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.644.761	16.429.582	1.032.238	821.479
15 Other irrevocable or conditionally revocable commitments	7.648.630	6.781.768	866.083	749.794
16 <b>TOTAL CASH OUTFLOWS</b>			<b>4.896.246</b>	<b>4.603.003</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	105.105	-	-	-
18 Unsecured Lending Transactions	2.709.927	1.688.982	2.034.687	1.165.220
19 Other contractual cash inflows	84.214	1.356.319	84.214	1.356.319
20 <b>TOTAL CASH INFLOWS</b>	<b>2.899.246</b>	<b>3.045.301</b>	<b>2.118.901</b>	<b>2.521.539</b>
			<b>Upper Limit Applied Amounts</b>	
21 <b>TOTAL HQLA STOCK</b>			<b>3.868.331</b>	<b>1.696.188</b>
22 <b>TOTAL NET CASH OUTFLOWS</b>			<b>2.777.345</b>	<b>2.081.464</b>
23 <b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>139</b>	<b>81</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**2. Liquidity Coverage Ratio (continued)**

	Rate of “Percentage to be taken into account” not Implemented Total value		Rate of “Percentage to be taken into account” Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>Prior Period</b>				
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets	-	-	3.720.239	1.235.400
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	37	8	4	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	37	8	4	1
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 <b>TOTAL CASH OUTFLOWS</b>			<b>3.462.477</b>	<b>3.020.050</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.716.065	1.556.988	2.048.576	1.089.676
19 Other contractual cash inflows	75.055	1.564.511	75.055	1.564.511
20 <b>TOTAL CASH INFLOWS</b>	<b>2.791.120</b>	<b>3.121.499</b>	<b>2.123.631</b>	<b>2.654.187</b>
			<b>Upper Limit Applied Amounts</b>	
21 <b>TOTAL HQLA STOCK</b>			<b>3.720.239</b>	<b>1.235.400</b>
22 <b>TOTAL NET CASH OUTFLOWS</b>			<b>1.338.846</b>	<b>755.013</b>
23 <b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>278</b>	<b>164</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

*Presentation of assets and liabilities according to their remaining maturities:*

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2)	26	803.582	-	-	-	-	-	803.608
Banks(2)	11.120	66.978	-	-	-	-	-	78.098
Financial Assets at Fair Value Through Profit and Loss (3)	-	326.523	477.909	395.893	25.070	-	-	1.225.395
Money Market Placements(2)	-	252.767	272.580	252	-	-	-	525.599
Financial Assets at Fair Value Through Other Comprehensive Income	-	70.377	363.104	574.908	2.314.896	746.419	94.459	4.164.163
Loans(2)	-	2.685.710	1.889.416	5.011.237	14.393.970	6.566.915	-	30.547.248
Financial Assets Measured at Amortized Cost(2)	-	-	-	-	2.218.428	363.372	-	2.581.800
Other Assets(2)	-	-	-	64.403	-	-	2.009.784	2.074.187
<b>Total Assets</b>	<b>11.146</b>	<b>4.205.937</b>	<b>3.003.009</b>	<b>6.046.693</b>	<b>18.952.364</b>	<b>7.676.706</b>	<b>2.104.243</b>	<b>42.000.098</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	909.188	517.183	3.898.939	10.993.787	10.027.834	-	26.346.931
Money Market Borrowings	-	1.031.556	-	-	-	-	-	1.031.556
Marketable Securities Issued (4)	-	99.070	55.245	2.088.547	5.610.633	-	-	7.853.495
Miscellaneous Payables	-	-	-	-	-	-	69.967	69.967
Other Liabilities	-	121.783	222.183	127.051	47.604	-	6.179.528	6.698.149
<b>Total Liabilities</b>	<b>-</b>	<b>2.161.597</b>	<b>794.611</b>	<b>6.114.537</b>	<b>16.652.024</b>	<b>10.027.834</b>	<b>6.249.495</b>	<b>42.000.098</b>
<b>Liquidity Gap</b>	<b>11.146</b>	<b>2.044.340</b>	<b>2.208.398</b>	<b>(67.844)</b>	<b>2.300.340</b>	<b>(2.351.128)</b>	<b>(4.145.252)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(2.085)</b>	<b>(180.911)</b>	<b>311.081</b>	<b>306.043</b>	<b>(1.212)</b>	<b>-</b>	<b>432.916</b>
Financial Derivative Assets	-	3.388.370	1.928.706	6.244.197	12.887.416	3.742.034	-	28.190.723
Financial Derivative Liabilities	-	3.390.455	2.109.617	5.933.116	12.581.373	3.743.246	-	27.757.807
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.542	4.547.718
<b>Prior Period</b>								
Total Assets	358.118	2.914.822	1.631.373	5.881.611	18.467.685	6.860.172	2.184.330	38.298.111
Total Liabilities	-	535.635	428.401	5.085.636	17.572.986	9.456.172	5.219.281	38.298.111
<b>Liquidity Gap</b>	<b>358.118</b>	<b>2.379.187</b>	<b>1.202.972</b>	<b>795.975</b>	<b>894.699</b>	<b>(2.596.000)</b>	<b>(3.034.951)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(49.908)</b>	<b>(9.991)</b>	<b>23.591</b>	<b>286.659</b>	<b>15.232</b>	<b>-</b>	<b>265.583</b>
Financial Derivative Assets	-	3.600.199	2.113.463	4.378.824	12.035.187	7.121.613	-	29.249.286
Financial Derivative Liabilities	-	3.650.107	2.123.454	4.355.233	11.748.528	7.106.381	-	28.983.703
Non-cash Loans	-	117.206	149.450	1.331.211	249.706	840.965	485.271	3.173.809

(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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

*Analysis of financial liabilities by remaining contractual maturities*

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of undiscounted cashflow of financial liabilities.

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	912.994	552.597	4.255.712	12.304.472	11.377.902	(3.056.746)	26.346.931
Money Market Borrowings	1.032.719	-	-	-	-	(1.163)	1.031.556
Marketable Securities Issued	56.942	67.673	2.334.795	6.151.188	-	(757.103)	7.853.495
Funds	58.950	-	-	-	-	-	58.950
Leasing Liabilities	1.329	2.684	10.737	35.087	-	(15.559)	34.278
<b>Total</b>	<b>2.062.934</b>	<b>622.954</b>	<b>6.601.244</b>	<b>18.490.747</b>	<b>11.377.902</b>	<b>(3.830.571)</b>	<b>35.325.210</b>

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	249.101	469.569	3.554.152	11.763.632	10.633.981	(3.094.417)	23.576.018
Money Market Borrowings	178.943	97	-	-	-	(39)	179.001
Marketable Securities Issued	49.424	58.732	2.169.217	7.473.832	-	(1.252.242)	8.498.963
Funds	32.529	-	-	-	-	-	32.529
<b>Total</b>	<b>509.997</b>	<b>528.398</b>	<b>5.723.369</b>	<b>19.237.464</b>	<b>10.633.981</b>	<b>(4.346.698)</b>	<b>32.286.511</b>

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

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.238.555	2.993.242	8.293.852	24.774.091	7.485.280	48.785.020
Forward Contracts	727.240	552.169	3.455.183	653.118	-	5.387.710
Futures Transactions	-	-	-	-	-	-
Options	813.030	492.912	428.278	41.580	-	1.775.800
Other	-	-	-	-	-	-
<b>Total</b>	<b>6.778.825</b>	<b>4.038.323</b>	<b>12.177.313</b>	<b>25.468.789</b>	<b>7.485.280</b>	<b>55.948.530</b>

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Swap Contracts	5.430.500	3.072.053	6.765.757	26.785.018	7.096.803	49.150.131
Forward Contracts	1.313.247	727.695	785.000	975.007	-	3.800.949
Futures Transactions	-	-	-	-	-	-
Options	726.110	1.028.724	3.476.077	37.597	-	5.268.508
Other	-	13.401	-	-	-	13.401
<b>Total</b>	<b>7.469.857</b>	<b>4.841.873</b>	<b>11.026.834</b>	<b>27.797.622</b>	<b>7.096.803</b>	<b>58.232.989</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**VII. Explanations related to leverage ratio**

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

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

As of 31 December 2019, leverage ratio of the Bank calculated from the arithmetic average of the three months is 11,10% (31 December 2018: 9,11%). Total balance sheet assets are increased by 1,90% compared to prior period.

**b) Leverage Ratio**

		<b>Current Period (1)</b>	<b>Prior Period (1)</b>
	<b>Balance sheet Assets</b>		
<b>1</b>	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	39.102.216	38.380.347
<b>2</b>	(Assets deducted from Core Capital)	(286.811)	(713.806)
<b>3</b>	<b>Total risk amount of balance sheet assets (sum of lines 1 and 2)</b>	<b>38.815.405</b>	<b>37.666.541</b>
	<b>Derivative financial assets and credit derivatives</b>		
<b>4</b>	Cost of replenishment for derivative financial assets and credit derivatives	991.440	1.232.186
<b>5</b>	Potential credit risk amount of derivative financial assets and credit derivatives	384.647	467.538
<b>6</b>	<b>Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)</b>	<b>1.376.087</b>	<b>1.699.724</b>
	<b>Financing transactions secured by marketable security or commodity</b>		
<b>7</b>	Risk amount of financing transactions secured by marketable security or commodity	572.349	474.363
<b>8</b>	Risk amount arising from intermediary transactions	-	-
<b>9</b>	<b>Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)</b>	<b>572.349</b>	<b>474.363</b>
	<b>Off-balance sheet transactions</b>		
<b>10</b>	Gross notional amount of off-balance sheet transactions	8.059.823	6.453.655
<b>11</b>	(Correction amount due to multiplication with credit conversion rates)	(2.804.361)	(2.294.016)
<b>12</b>	<b>Total risk of off-balance sheet transactions (sum of lines 10 and 11)</b>	<b>5.255.462</b>	<b>4.159.639</b>
	<b>Capital and total risk</b>		
<b>13</b>	Core Capital	5.109.154	4.008.660
<b>14</b>	<b>Total risk amount (sum of lines 3, 6, 9 and 12)</b>	<b>46.019.303</b>	<b>44.000.267</b>
	<b>Leverage ratio</b>		
<b>15</b>	<b>Leverage ratio</b>	<b>11,10 %</b>	<b>9,11 %</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

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

	<b>Carrying Value Current Period</b>	<b>Fair Value Current Period</b>
<b>Financial Assets</b>	<b>38.777.251</b>	<b>37.514.698</b>
Money Market Placements	525.628	525.628
Banks	78.132	78.132
Financial Assets at Fair Value Through Other Comprehensive Income	4.164.163	4.164.163
Financial asset measured at amortized cost	2.585.160	2.552.348
Loans (1)	31.424.168	30.194.427
<b>Financial Liabilities</b>	<b>35.360.899</b>	<b>35.145.540</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (3)	27.437.437	27.437.437
Marketable Securities Issued (2)	7.853.495	7.638.136
Miscellaneous Payables	69.967	69.967

(1) Loans include financial lease receivables.

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

(3) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	<b>Carrying Value Current Period</b>	<b>Fair Value Current Period</b>
<b>Financial Assets</b>	<b>34.374.900</b>	<b>34.287.700</b>
Money Market Placements	573.252	573.252
Banks	623.754	623.754
Available-For-Sale Financial Assets	3.389.020	3.389.020
Held-To-Maturity Investments	2.154.941	2.033.904
Loans (1)	27.633.933	27.667.770
<b>Financial Liabilities</b>	<b>32.318.330</b>	<b>31.490.795</b>
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (3)	23.787.548	23.787.548
Marketable Securities Issued (2)	8.498.963	7.671.428
Miscellaneous Payables	31.819	31.819

(1) Loans include financial lease receivables.

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

(3) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

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

- i-** For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii-** For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii-** For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- iv-** For the fair value calculation of marketable securities issued, market prices as of the reporting date were used.

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

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

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

<b>Current Period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.957.189	55.816	146.262
Loans at Fair Value Through Profit or Loss	-	-	263.097
Associates and Subsidiaries	1.181.408	-	179.877
Derivative Financial Assets Held-for-trading (1)	-	894.414	-
Derivative Financial Assets for Hedging Purposes (1)	-	67.884	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading (2)	-	467.798	-
Derivative Financial Liabilities for Hedging Purposes (2)	-	16.545	-

(1) Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

Prior Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.260.761	43.788	79.575
Loans at Fair Value Through Profit or Loss	-	-	290.660
Associates and Subsidiaries	1.181.587	-	136.045
Derivative Financial Assets Held-for-trading (1)	-	978.156	-
Derivative Financial Assets for Hedging Purposes (1)	-	-	-
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held-for-trading (2)	-	620.061	-
Derivative Financial Liabilities for Hedging Purposes (2)	-	172.258	-

(1) Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

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

Real estates which are presented in the financial statements at fair value are classified at level 2.

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

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

**X. Explanations related to risk management**

**Linkages between financial statements and risk amounts**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Overview of risk weighted assets**

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	37.071.402	32.814.278	2.965.712
2	Standardised approach	37.071.402	32.814.278	2.965.712
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.410.244	1.497.326	112.820
5	Standardised approach for counterparty credit risk	1.410.244	1.497.326	112.820
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	577.150	339.888	46.172
17	Standardised approach	577.150	339.888	46.172
18	Internal model approaches	-	-	-
19	Operational risk	2.061.973	1.539.288	164.958
20	Basic indicator approach	2.061.973	1.539.288	164.958
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.415.415	1.178.064	113.233
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>42.536.184</b>	<b>37.368.844</b>	<b>3.402.895</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at Central Bank	803.608	804.036	-	-	-	-
Banks	78.098	78.132	-	-	-	-
Money Market Placements	525.599	525.628	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	263.097	263.097	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.164.163	4.164.163	2.073.989	-	-	-
Financial Assets Measured at Amortized Cost	2.581.800	2.585.160	431.344	-	-	-
Derivative Financial Assets	962.298	-	962.298	-	294.149	-
Loans	30.440.938	31.295.294	-	-	-	-
Leasing Receivables	106.310	128.874	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	64.403	64.403	-	-	-	-
Associates (net)	914.046	914.046	-	-	-	367.333
Subsidiaries (net)	452.474	452.474	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Tangible Assets (net)	91.224	89.022	-	-	-	2.202
Intangible Assets (net)	3.029	-	-	-	-	3.029
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Deferred Tax Assets	38.528	38.528	-	-	-	-
Other Assets	510.483	469.014	42.568	-	-	-
<b>Total Assets</b>	<b>42.000.098</b>	<b>41.871.871</b>	<b>3.510.199</b>	<b>-</b>	<b>294.149</b>	<b>372.564</b>

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Liabilities		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Funds Borrowed	26.346.931	-	913.928	-	-	25.433.003
Money Market Funds	1.031.556	-	1.031.556	-	-	-
Securities Issued	6.023.450	-	-	-	-	6.023.450
Funds	58.950	-	-	-	-	58.950
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	484.343	-	-	-	230.707	484.343
Factoring Payables	-	-	-	-	-	-
Lease Payables	34.278	-	-	-	-	34.278
Provisions	259.419	-	-	-	-	259.419
Current Tax Liability	77.425	-	-	-	-	77.425
Deffered tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	1.830.045	-	-	-	-	1.830.045
Other Liabilities	186.805	-	-	-	-	186.805
Shareholders' Equity	5.666.896	-	-	-	-	5.666.896
<b>Total Liabilities</b>	<b>42.000.098</b>	<b>-</b>	<b>1.945.484</b>	<b>-</b>	<b>230.707</b>	<b>40.054.614</b>

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	742.981	743.224	-	-	-	-
Financial Assets Held for Trading	623.748	623.754	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	573.233	573.252	-	-	-	-
Banks	-	-	-	-	-	-
Money Market Placements	3.388.777	3.389.020	1.003.454	-	-	-
Financial Assets Available-for-Sale (net)	2.153.313	2.154.941	248.394	-	-	-
Loans and Receivables	978.156		978.156		446.158	
Factoring Receivables	27.583.787	28.092.378	-	-	-	-
Investment Held-to-Maturity (net)	132.518	133.929	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	1	1	-	-	-	-
Joint-Ventures (net)	1.017.509	1.017.509	-	-	-	556.914
Finance Lease Receivables	304.957	304.957	-	-	-	-
Derivative Financial Assets Held for Risk	-	-	-	-	-	-
Tangible Assets (net)	60.646	57.021	-	-	-	3.625
Intangible Assets (net)	3.125		-	-	-	3.125
Investment Properties (net)	-	-	-	-	-	
Tax Assets	-	-	-	-	-	
Assets Held for Sale and Discontinued Operations (net)	3.535	3.535	-	-	-	
Other Assets	731.825	666.925	-	-	-	65.913
<b>Total Assets</b>	<b>38.298.111</b>	<b>37.760.446</b>	<b>2.230.004</b>	<b>-</b>	<b>446.158</b>	<b>629.577</b>

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation**

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Liabilities		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	23.576.018	-	757.816	-	-	22.818.202
Funds Borrowed	179.001	-	179.001	-	-	-
Money Market Funds	6.949.189	-	-	-	-	6.949.189
Securities Issued	32.529	-	-	-	-	32.529
Funds	-	-	-	-	-	-
Miscellaneous Payables	792.319	-	-	-	359.618	432.701
Other Liabilities	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	257.576	-	-	-	-	257.576
Derivative Financial Liabilities Held for Risk Management	91.846	-	-	-	-	91.846
Provisions	-	-	-	-	-	-
Tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	1.549.774	-	-	-	-	1.549.774
Subordinated Debts	150.855	-	-	-	-	150.855
Shareholders' Equity	4.719.004	-	-	-	-	4.719.004
<b>Total Liabilities</b>	<b>38.298.111</b>	<b>-</b>	<b>936.817</b>	<b>-</b>	<b>359.618</b>	<b>37.001.676</b>

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

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

	<b>Current Period</b>	<b>Total</b>	<b>Credit Risk</b>	<b>Securitization Positions</b>	<b>Counterparty credit risk</b>	<b>Market risk</b>
1	Asset carrying value amount under scope of regulatory consolidation (1)	42.000.098	41.871.871	-	3.467.631	294.149
2	Liabilities carrying value amount under regulatory scope of consolidation (1)	42.000.098	-	-	1.945.484	230.707
<b>3</b>	<b>Total net amount</b>	<b>-</b>	<b>41.871.871</b>	<b>-</b>	<b>1.522.147</b>	<b>63.442</b>
4	Off-balance sheet amounts	64.127.631	3.782.198	-	392.430	-
5	Differences due to prudential filters	-	(738.538)	-	205.389	513.708
<b>6</b>	<b>Risk Amounts</b>	<b>-</b>	<b>44.915.531</b>	<b>-</b>	<b>2.119.966</b>	<b>577.150</b>

(1)The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

	<b>Prior Period</b>	<b>Total</b>	<b>Credit Risk</b>	<b>Securitization Positions</b>	<b>Counterparty credit risk (1)</b>	<b>Market risk</b>
1	Asset carrying value amount under scope of regulatory consolidation	38.298.111	37.760.446	-	2.230.004	446.158
2	Liabilities carrying value amount under regulatory scope of consolidation(1)	38.298.111	-	-	936.817	359.618
<b>3</b>	<b>Total net amount</b>		<b>37.760.446</b>	<b>-</b>	<b>1.293.187</b>	<b>86.540</b>
4	Off-balance sheet amounts	64.497.907	2.757.584	-	422.410	-
5	Differences due to prudential filters	-	(734.655)	-	120.950	253.348
<b>6</b>	<b>Risk Amounts</b>	<b>-</b>	<b>39.783.375</b>	<b>-</b>	<b>1.836.547</b>	<b>339.888</b>

(1)The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VI. Explanations on financial assets" in section "Accounting Policies" of chapter three of the report.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk**

**General qualitative information on credit risk**

Credit risk is the possibility of incurring losses due to fulfill the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

**Credit quality of assets**

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
<b>Current Period</b>				
1 Loans	1.102.874	35.018.618	878.511	35.242.981
2 Debt Securities	-	6.701.270	46.405	6.654.865
3 Off-balance sheet exposures	2.964	8.200.758	24.621	8.179.101
4 <b>Total</b>	<b>1.105.838</b>	<b>49.920.646</b>	<b>949.537</b>	<b>50.076.947</b>

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
<b>Prior Period</b>				
1 Loans	592.374	31.641.218	511.284	31.722.308
2 Debt Securities	-	5.660.271	179.046	5.481.225
3 Off-balance sheet exposures	2.964	6.273.940	11.986	6.264.918
4 <b>Total</b>	<b>595.338</b>	<b>43.575.429</b>	<b>702.316</b>	<b>43.468.451</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

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

	<b>Current Period</b>	<b>Balance</b>
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>595.338</b>
2	Loans and debt securities that have defaulted since the last reporting period	515.813
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(5.313)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)</b>	<b>1.105.838</b>

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

**Additional disclosure related to the credit quality of assets**

The Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”.

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

***Breakdown of receivables according to major regions, sector and remaining maturities***

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Credit Risk."

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

On the basis of geographical regions, the receivables from the Bank consist of domestic receivables.

On sectoral basis, the amount of the Bank's impaired loans and related provisions is included in footnotes under Section Four, Note II. "Information of major sectors or type of counterparties" explanations credit risk explanations .

The Bank has no written off receivables is as of 31 December 2019 (31 December 2018: TL 146.730 ).

***Aging analysis for overdue receivables***

The aging analysis of the receivables past due is included in footnotes under Section Four, Note II. "Explanations related to credit risk".

**Credit risk mitigation**

**Qualitative disclosure on credit risk mitigation techniques**

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial guarantees are assessed on a daily basis at the Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk mitigation (continued)**

**Qualitative disclosure on credit risk mitigation techniques (continued)**

The value of the real estates is determined by the valuation institutions authorized by the Capital Markets Board.

The main collaterals that the Bank may use within the scope of credit risk mitigation techniques; financial collaterals, guarantees and mortgages. At 31 December 2019, financial collaterals, guarantees and mortgages were used as the credit risk mitigation technique in the calculation of the amount subject to credit risk.

**Credit risk mitigation techniques - Standard approach**

	Current Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	32.969.556	1.689.397	1.572.183	190.722	146.979	-	-
2	Debt securities	6.654.865	-	-	-	-	-	-
3	<b>Total</b>	<b>39.624.421</b>	<b>1.689.397</b>	<b>1.572.183</b>	<b>190.722</b>	<b>146.979</b>	-	-
4	Of which defaulted	1.102.874	-	-	-	-	-	-

	Prior Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	30.078.742	1.406.836	1.167.285	236.730	188.947	-	-
2	Debt securities	5.481.225	-	-	-	-	-	-
3	<b>Total</b>	<b>35.559.967</b>	<b>1.406.836</b>	<b>1.167.285</b>	<b>236.730</b>	<b>188.947</b>	-	-
4	Of which defaulted	592.374	-	-	-	-	-	-

**Credit risk under standard approach**

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

The related disclosures are included in footnotes under Section Four, Note II "Explanations related to credit risk".

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

**Credit risk under standard approach**

*Credit risk exposure and credit risk mitigation effects*

	Curent Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	7.322.605	215.340	7.469.584	43.068	2.271.937	30%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	1	5.638	1	1.127	1.128	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1.965.833	636.821	1.965.833	35.545	1.304.395	65%
7	Exposures to corporates	28.216.484	26.713.153	28.051.757	3.470.604	30.970.151	98%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11	Past due receivables	1.102.874	-	749.429	-	748.763	100%
12	Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	144.322	118.186	144.308	96.781	241.064	100%
17	Equity Investments	1.158.049	-	1.158.049	-	2.007.298	173%
18	<b>Total</b>	<b>41.504.541</b>	<b>28.376.820</b>	<b>41.133.334</b>	<b>3.782.197</b>	<b>38.486.817</b>	<b>86%</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

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

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

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	6.049.722	186.912	6.237.115	37.382	1.628.438	26%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	11.621	-	2.324	2.324	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.555.018	588.697	2.556.573	30.971	1.666.491	64%
7	Exposures to corporates	25.886.247	21.417.472	25.684.976	2.353.560	27.805.076	99%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.154.961	240.271	1.154.961	233.618	694.289	50%
11	Past due receivables	592.374	-	427.721	-	424.469	99%
12	Exposures in higher-risk categories	-	107.404	-	1.114	1.380	123%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	136.922	194.845	136.156	98.615	234.747	100%
17	Equity Investments	828.289	-	828.289	-	1.535.128	185%
18	<b>Total</b>	<b>37.203.533</b>	<b>22.747.222</b>	<b>37.025.791</b>	<b>2.757.584</b>	<b>33.992.342</b>	<b>85%</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

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

**Exposures by asset classes and risk weights**

	Current Period	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Total Risk Amount (After CCR and CVA)
	Risk Groups/ Risk Weight										
1	Exposures to sovereigns and their central banks	5.240.714	-	-	-	-	2.271.938	-	-	-	7.512.652
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.128	-	-	-	1.128
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	732.551	221.885	-	1.046.942	-	-	-	2.001.378
7	Exposures to corporates	-	-	576.608	181.851	-	30.763.902	-	-	-	31.522.361
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.651.791	-	-	-	-	-	1.651.791
10	Past due receivables	-	-	-	3.212	-	744.337	1.880	-	-	749.429
11	Exposures in higher-risk categories	-	-	-	294	-	-	77.360	-	-	77.654
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	591.883	-	-	566.166	1.158.049
16	Other exposures	26	-	-	-	-	241.063	-	-	-	241.089
17	<b>Total</b>	<b>5.240.740</b>	<b>-</b>	<b>1.309.159</b>	<b>2.059.033</b>	<b>-</b>	<b>35.661.193</b>	<b>79.240</b>	<b>-</b>	<b>566.166</b>	<b>44.915.531</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations related to credit risk (continued)**

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

**Exposures by asset classes and risk weights**

	Prior Period											Total Risk Amount (After CCR and CVA)
					50% Secured by Real Estate Property							
	Risk Groups/ Risk Weight	0%	10%	20%		75%	100%	150%	200%	Others		
1	Exposures to sovereigns and their central banks	4.646.059	-	-	-	-	1.628.438	-	-	-	-	6.274.497
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	2.324	-	-	-	-	2.324
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.040.436	177.408	-	1.369.700	-	-	-	-	2.587.544
7	Exposures to corporates	-	-	9.690	451.418	-	27.577.428	-	-	-	-	28.038.536
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.388.579	-	-	-	-	-	-	1.388.579
10	Past due receivables	-	-	-	8.247	-	417.732	1.742	-	-	-	427.721
11	Exposures in higher-risk categories	-	-	-	292	-	-	822	-	-	-	1.114
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	357.063	-	-	471.226	-	828.289
16	Other exposures	23	-	-	-	-	234.748	-	-	-	-	234.771
17	<b>Total</b>	<b>4.646.082</b>	<b>-</b>	<b>1.050.126</b>	<b>2.025.944</b>	<b>-</b>	<b>31.587.433</b>	<b>2.564</b>	<b>-</b>	<b>471.226</b>	<b>-</b>	<b>39.783.375</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Qualitative disclosures on CCR**

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

**Analysis of counterparty credit risk exposure by approach**

	Current Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	884.241	337.692	-	-	1.221.933	728.438
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.807	294.792
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1.023.230</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

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

	Prior Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	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	<b>Total</b>	-	-	-	-	-	<b>1.100.847</b>

**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	1.221.933	381.732
4	<b>Total subject to the CVA capital charge</b>	<b>1.221.933</b>	<b>381.732</b>

	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	<b>Total subject to the CVA capital charge</b>	<b>1.400.565</b>	<b>396.479</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

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

<b>Current Period</b>										
<b>Risk weight</b>										
<b>Risk groups</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure(1)</b>	
Exposures to sovereigns and their central banks	-	-	-	-	-	2.696	-	-	2.696	
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	4.914	-	-	4.914	
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	
Exposures to international organizations	-	-	-	-	-	-	-	-	-	
Exposures to banks and securities firms	-	-	546.137	1.023.200	-	7.550	-	-	1.576.887	
Exposures to corporates	-	-	-	-	-	386.470	-	-	386.470	
Retail exposures	-	-	-	-	-	-	-	-	-	
Exposures secured by property	-	-	-	-	-	-	-	-	-	
Past due receivables	-	-	-	-	-	-	-	-	-	
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	
Equity investments	-	-	-	-	-	-	-	-	-	
Other exposures	-	-	-	-	-	773	-	-	773	
Other assets	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	<b>546.137</b>	<b>1.023.200</b>	-	<b>402.403</b>	-	-	<b>1.971.740</b>	

(1) 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

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

Prior Period									
Risk weight									
Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Exposures to sovereigns and their central banks	-	-	-	-	-	154	-	-	154
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.099	-	-	1.099
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	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

(1) 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

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

**Collaterals used for CCR**

	<b>Derivative Financial Instrument Collaterals</b>				<b>Other Instrument Collaterals</b>	
<b>Current Period</b>	<b>Collaterals received</b>		<b>Collaterals given</b>		<b>Collaterals received</b>	<b>Collaterals given</b>
	<b>Segregated</b>	<b>Unsegregated</b>	<b>Segregated</b>	<b>Unsegregated</b>		
Cash – domestic currency	-	-	-	-	491.414	-
Cash – foreign currency	-	-	-	-	1.454.070	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>1.945.484</b>	-

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

**Credit derivatives**

None. (31 December 2018: None)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Exposures to central counterparties**

<b>Current Period</b>	<b>Exposure at Default ( Post – CRM</b>	<b>RWA</b>
<b>Exposure to Qualified Central Counterparties (QCCPs) Total</b>	241.784	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	148.226	2.964
(i) OTC Derivatives	127.470	2.549
(ii) Exchange-traded Derivatives	5.324	106
(iii) Securities financing transactions	15.432	309
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	22.880	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	70.678	2.317
Unfunded default fund contributions	-	-
<b>Exposures to non- Central Counterparties (QCCPs) Total</b>	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

The Bank has no exposures to central counterparties as of 31.12.2018.

**Securitization exposures:**

The Parent Bank has no securitization transactions. ( 31 December 2018: None)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations on market risk**

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

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

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels.

Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully.

Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed on a daily basis and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations.

The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

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

**Market Risk-standard approach**

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	<b>Outright products</b>	-	-
1	Interest rate risk (general and specific)	245.825	210.413
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	331.163	129.475
4	Commodity risk	-	-
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus method	162	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>577.150</b>	<b>339.888</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations related to risk management (continued)**

**Explanations on operational risk**

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

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

	31/12/2016	31/12/2017	31/12/2018	Total/Positive BG year number	Ratio(%)	Total
Gross Income	758.586	1.028.394	1.512.177	1.099.719	15	164.958
Value at Operational Risk (Total*12,5)						2.061.973

	31/12/2015	31/12/2016	31/12/2017	Total/Positive BG year number	Ratio(%)	Total
Gross Income	675.871	758.586	1.028.394	820.950	15	123.143
Value at Operational Risk (Total*12,5)						1.539.288

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	25	-	23	-
Balances with the Central Bank of Turkey	484	803.528	6.326	736.875
Other	-	-	-	-
<b>Total</b>	<b>509</b>	<b>803.528</b>	<b>6.349</b>	<b>736.875</b>

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

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	484	7.461	6.326	6.602
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	796.067	-	730.273
<b>Total</b>	<b>484</b>	<b>803.528</b>	<b>6.326</b>	<b>736.875</b>

(1) Provision for expected credit loss amounting to TL 429 is allocated in "Balances with the Central Bank of Turkey". (31 December 2018 : TL 243)

(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 since 21 September 2018.

On 20 August, 2019 Central Bank of the Republic of Turkey changed the required reserves and TL reserve requirement ratio, excluding loans granted to banks with loans indexed to foreign banks, TL denominated cash on standard loans and close monitoring loans have been associated with annual growth rates of the total. Accordingly, TL required reserve ratios have been reduced for the banks whose loan growth is between 10 and 20 percent, while the reserve requirement ratios for other banks have not been changed.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 September 2019 are presented in table below:

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 If the fund borrowed Before 28.08.2015
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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 :**

Held for Trading Financial Derivative Instruments (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	44.124	163	151.345	1.008
Swap Transactions	609.108	231.423	604.804	161.353
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>653.232</b>	<b>241.182</b>	<b>756.149</b>	<b>222.007</b>

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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	288	18.355	20.650	567.465
Foreign	-	59.489	-	35.639
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>288</b>	<b>77.844</b>	<b>20.650</b>	<b>603.104</b>

(1) Provision for expected credit loss amounting to TL 34 is allocated in "Banks" (31 Decemeber 2018 : TL 6).

**3.b Information on foreign banks**

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	287.144	542.673	41.531	-
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>287.144</b>	<b>542.673</b>	<b>41.531</b>	<b>-</b>

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

As of 31 December 2019, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.827.696.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	749.163	1.078.533	634.489	819.159
Other	-	-	-	-
<b>Total</b>	<b>749.163</b>	<b>1.078.533</b>	<b>634.489</b>	<b>819.159</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**4. Information on financial assets at fair value through other comprehensive income (continued)**

**4.b Major types of financial assets at fair value through other comprehensive income:**

Financial assets at fair value through other comprehensive income comprised of government bonds 48,06%, Eurobonds 46,16% and shares and other securities 5,78%. (31 December 2018 : Government bonds 59,26 %, Eurobonds 34,38%, shares and other securities 6,36%)

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

	Current Period	Prior Period
Debt securities	4.107.611	3.503.459
Quoted on a stock exchange	2.155.330	2.252.288
Unquoted	1.952.281	1.251.171
Share certificates	104.490	68.013
Quoted on a stock exchange	30.556	11.244
Unquoted	73.934	56.769
Impairment provision(-)	47.938	182.695
<b>Total</b>	<b>4.164.163</b>	<b>3.388.777</b>

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 59.007 (31 December 2018 : TL 51.875).

**5. Explanation on loans**

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

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

(\*)Include the loan granted to the special purpose entity as detailed in Section Five Note 16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

**5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans**

Current Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.100.440	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.575.650	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>26.862.157</b>	<b>803.006</b>	<b>1.696.477</b>	<b>830.780</b>

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.660.356 shown under "Other", due to the nature of "Investment" shown under the category "other" in the above footnote.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

**5.b.2 Information on Standard Qualified and Close Monitoring loans and restructured Close Monitoring loans (continued):**

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

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

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	172.668	-	134.209	-
Significant Increase in Credit Risk	-	350.807	-	211.140

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

**5.c Loans according to their maturity structure:**

Current Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	3.688.889	69.185	78.028
Non-specialized loans	3.688.889	69.185	78.028
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	23.173.268	733.821	2.449.229
Non-specialized loans	23.173.268	733.821	2.449.229
Specialized loans	-	-	-
Other receivables	-	-	-

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

Prior Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	1.207.047	324.260	66.900
Non-specialized loans	1.207.047	324.260	66.900
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	23.349.398	1.683.227	869.172
Non-specialized loans	23.349.398	1.392.567	869.172
Specialized loans	-	-	-
Other receivables	-	-	-

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

**5.f Loans according to borrowers:**

	Current Period	Prior Period
Public	942.805	584.752
Private	29.249.615	26.915.252
<b>Total</b>	<b>30.192.420</b>	<b>27.500.004</b>

(\*)Includes fair value through profit or loss loans.

**5.g Domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	30.080.280	27.400.306
Foreign loans	112.140	99.698
<b>Total</b>	<b>30.192.420</b>	<b>27.500.004</b>

(\*)Includes fair value through profit or loss loans.

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

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	545.560	437.232
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>545.560</b>	<b>437.232</b>

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

	Current Period	Prior Period
Loans and receivables with limited collectability	184.323	12.730
Loans and receivables with doubtful collectability	120.078	104.433
Uncollectible loans and receivables	49.044	47.490
<b>Total</b>	<b>353.445</b>	<b>164.653</b>

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

**5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
Gross amounts before provisions	-	592.614	37.567
Restructured loans	-	592.614	37.567
<b>Prior Period</b>			
Gross amounts before provisions	1.936	-	39.951
Restructured loans	1.936	-	39.951

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
<b>Prior period end balance</b>	<b>22.719</b>	<b>522.165</b>	<b>47.490</b>
Additions (+)	459.570	46.845	9.397
Transfers from other categories of non-performing loans (+)	-	22.779	8.215
Transfers to other categories of non-performing loans (-)	22.779	8.215	-
Collections (-)	1.640	68.616	14.261
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
<b>Current period end balance</b>	<b>457.905</b>	<b>594.045</b>	<b>50.924</b>
Provision (-)	184.323	120.078	49.044
<b>Net Balances on Balance Sheet</b>	<b>273.582</b>	<b>473.967</b>	<b>1.880</b>

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Prior Period</b>			
<b>Prior period end balance</b>	<b>985</b>	<b>4.894</b>	<b>43.643</b>
Additions (+)	490.340	-	146.741
Transfers from other categories of non-performing loans (+)	-	469.603	4.894
Transfers to other categories of non-performing loans (-)	469.603	4.894	-
Collections (-)	319	7.637	1.058
Write-offs (-) (1)	-	-	146.730
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	1.316	60.199	-
<b>Current period end balance</b>	<b>22.719</b>	<b>522.165</b>	<b>47.490</b>
Provision (-)	12.730	104.433	47.490
<b>Net Balances on Balance Sheet</b>	<b>9.989</b>	<b>417.732</b>	<b>-</b>

(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 has written off. This amount which is written according to the Tank ownership rate USD 28 million (TL 146.730 thousands).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

	<b>III. Group</b> Loans With Limited Collectability	<b>IV. Group</b> Loans With Doubtful Collectability	<b>V. Group</b> Uncollectible Loans
<b>Current Period</b>			
Period End Balance	10.306	592.614	34.215
Provision (-)	3.223	118.878	32.335
<b>Net Balance on Balance Sheet</b>	<b>7.083</b>	<b>473.736</b>	<b>1.880</b>

	<b>III. Group</b> Loans and Other Receivables With Limited Collectability	<b>IV. Group</b> Loans and Other Receivables With Doubtful Collectability	<b>V. Group</b> Uncollectible Loans and Other Receivables
<b>Current Period</b>			
Period End Balance	2.098	522.165	32.126
Provision (-)	356	104.433	32.126
<b>Net Balance on Balance Sheet</b>	<b>1.742</b>	<b>417.732</b>	<b>-</b>

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

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

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

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

In case of existence of the collateral elements stated in Article 13 of the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables to be set aside for these, these elements are liquidated as soon as possible as a result of both administrative and legal initiatives and liquidation of the receivables is ensured.

In the absence of collateral, the debtor is provided with an insolvency certificate, but in various periods, intense intelligence is made and the legal asset is applied to determine the acquired assets.

Legal procedures followed before and after; on the financial information of the company when the creditor deemed able to live in the investigation that will be made by the Bank and if it contributed to the economy in relation to firms that dominate considers that contributed to the production, efforts are made to the liquidation of receivables agreement.

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

If there is no collateral against loans or uncollectible, and receivables amount of tax payable for legal proceedings to be held, duties, fees and costs compared to smaller loans written off receivables concerned with the demand and the General Directorate of the approval of the Monitoring Department.

However, if the part can not be collected to take after performing all kinds of legal proceedings if there is a guarantee in return will go pledge open the document and the way deletion of assets in the remaining amount by receiving debt forgiveness is followed.

**6. Information on financial assets measured at amortized cost**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	737.176	26.554	39.757	46.078
Subject to Repurchase Agreements	330.755	100.588	-	248.394
<b>Total</b>	<b>1.067.931</b>	<b>127.142</b>	<b>39.757</b>	<b>294.472</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

**6.b Information on government debt measured at amortized cost:**

	Current Period	Prior Period
Government Bonds	2.585.160	2.154.941
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**6.c Information on financial investments measured at amortized cost:**

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	2.285.894	1.735.522
Not Quoted	299.266	419.419
<b>Impairment provision (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2.585.160</b>	<b>2.154.941</b>

**6.d Movement of financial assets at amortized costs within the year :**

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

Expected credit loss amounting to TL 3.360 is allocated in "Financial asset measured at amortized cost" (31 Decemeber 2018 : TL 1.628)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**7. Information on associates (net)**

**7.a Information on associates:**

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.265.258	300.390	1.328	463.111	-	(23.452)	147.016	78.535
2	İş Finansal	9.088.358	1.273.725	12.417	943.836	-	84.106	197.536	785.806
3	İş Girişim	265.801	261.774	1.715	9.276	1.126	1.736	3.211	48.649
4	Terme (1)	22.515	5.230	1.554	-	-	(35)	(30)	-
5	Ege Tarım	15.242	14.161	8.130	-	-	2.459	1.730	-

(1) Issued as of 30.09.2019. The previous period's profit / loss amount is given as of 30.09.2018.

**7.b Movements of associates subject to unconsolidation:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1.017.509</b>	<b>308.497</b>
Movements During the Period	(103.463)	709.012
Purchases	-	5.426
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase / decrease	(103.463)	703.586
Provision for Impairment	-	-
<b>Balance at the End of the Period</b>	<b>914.046</b>	<b>1.017.509</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

In current period the Bank has not purchased any associates.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	78.535	46.010
Leasing Companies	785.806	945.385
Financial Service Companies	-	-
Other Financial Associates	48.649	25.058

**7.d Information on associates subject to consolidation quoted on stock market:**

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	834.455	970.443
Associates quoted on foreign stock exchanges	-	-

**8. Information on subsidiaries (net)**

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

Current Period (1)	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	300.000
Share Premium	-	593
Legal Reserves	3.681	8.683
Other Comprehensive Income according to TAS	19.994	-
Current and Prior Years' Profit/Loss	30.802	1.568
Leasehold Improvements (-)	404	-
Intangible Assets (-)	1.013	18
<b>Total Core Capital</b>	<b>116.560</b>	<b>310.826</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>116.560</b>	<b>310.826</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**8. Information on subsidiaries (net) (continued)**

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

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

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

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

**8.c Information on subsidiaries:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	88,67	89,49
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,17	99,85

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**8. Information on subsidiaries (net) (continued)**

**8.c Information on subsidiaries (continued):**

		<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Fair Value</b>
1	TSKB GMD (2)	22.390	18.857	1.134	2.074	-	2.729	2.283	-
2	YF (1)	786.964	117.977	9.782	56.343	1.324	16.575	11.619	101.342
3	TSKB GYO (1)	575.937	310.844	296	1.715	-	46.186	(61.455)	346.953
4	TSKB SD	3.123	2.928	20	572	-	92	(1.407)	3.800

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

(2) Issued as of 30.09.2019. The previous period's profit / loss amount is given as of 30.09.2018.

**8.d Movement schedule for subsidiaries subject to consolidation:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>301.178</b>	<b>134.976</b>
Movements in the period	147.117	166.202
Purchases	-	164.494
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase / decrease	147.117	2.900
Provision for impairment (-)	-	(1.192)
<b>Balance at the end of the period</b>	<b>448.295</b>	<b>301.178</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**8. Information on subsidiaries (net) (continued)**

**8.d Movement schedule for subsidiaries (continued):**

*Subsidiaries disposed in the current period*

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

*Subsidiaries purchased in the current period*

In current period the Bank has not purchased any subsidiaries.

Regarding the previous period subsidiary movements;

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

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

The Bank pledged capital increase of TL 2,8 million for TSKB Sürdürülebilirlik Danışmanlığı A.Ş.'s cash capital increase of TL 3,5 million. The Bank participated by paying TL 2,4 million on 19 December 2018 and TL 0,4 million on 21 November 2019 on this commitment.

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

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	448.295	301.178

**8.f Subsidiaries subject to consolidation quoted on stock market:**

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

**9. Information on entities under common control**

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

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

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

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

Expected credit loss amounting to TL 22.564 (31 December 2018: TL 1.411) is allocated in "Lease Receivables".

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

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

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>140.968</b>	<b>151.102</b>
Unearned revenue from finance leases (-)	12.094	17.173
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>128.874</b>	<b>133.929</b>

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

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

**11. Explanation on derivative financial assets held for hedging purposes**

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

Positive difference on regarding derivative financial instruments for hedging purposes is amounting to TL 67.884 (31 December 2018 :None)

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

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

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

Current Period		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	16.960	69.500	(13.577)	72.883
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(5.481)	4.597	-	(884)

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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 (continued)**

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

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(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**

Since the third quarter of 2015, the Bank has changed its accounting policy and adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2018 and accounted as with the valuation amount recorded in the previous period.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
<b>Cost</b>						
Land and buildings	52.249	41	-	-	-	52.290
Assets held under finance leases	2.330	-	(2.330)	-	-	-
Vehicles	672	1.615	(537)	-	-	1.750
Right to use Securities-Real Estate	-	40.824	-	-	-	40.824
Assets held for resale	-	-	-	-	-	-
Other	25.101	4.710	(2.736)	-	-	27.075
<b>Total Cost</b>	<b>80.352</b>	<b>47.190</b>	<b>(5.603)</b>	<b>-</b>	<b>-</b>	<b>121.939</b>
<b>Accumulated depreciation</b>						
Land and buildings	(24)	(236)	-	-	-	(260)
Assets held under finance leases	(2.221)	-	208	-	2.013	-
Right to use Securities-Real Estate	(632)	(90)	537	-	-	(185)
Vehicles	-	(10.253)	-	-	-	(10.253)
Assets held for resale	-	-	-	-	-	-
Other	(16.829)	(3.781)	2.606	-	(2.013)	(20.017)
<b>Total accumulated depreciation</b>	<b>(19.706)</b>	<b>(14.360)</b>	<b>3.351</b>	<b>-</b>	<b>-</b>	<b>(30.715)</b>
<b>Impairment provision</b>						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>60.646</b>	<b>32.830</b>	<b>(2.252)</b>	<b>-</b>	<b>-</b>	<b>91.224</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**12. Explanations on tangible assets (net) (continued)**

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
Cost						
Land and buildings	40.370	2.719	-	9.160	-	52.249
Assets held under finance leases	2.359	-	(29)	-	-	2.330
Vehicles	672	-	-	-	-	672
Assets held for resale	-	-	-	-	-	-
Other	24.757	1.462	(1.118)	-	-	25.101
<b>Total Cost</b>	<b>68.158</b>	<b>4.181</b>	<b>(1.147)</b>	<b>9.160</b>	<b>-</b>	<b>80.352</b>
Accumulated depreciation						
Land and buildings	(211)	(20)	-	207	-	(24)
Assets held under finance leases	(2.218)	(32)	29	-	-	(2.221)
Vehicles	(498)	(134)	-	-	-	(632)
Assets held for resale	-	-	-	-	-	-
Other	(14.378)	(3.547)	1.096	-	-	(16.829)
<b>Total accumulated depreciation</b>	<b>(17.305)</b>	<b>(3.733)</b>	<b>1.125</b>	<b>207</b>	<b>-</b>	<b>(19.706)</b>
Impairment provision						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>50.853</b>	<b>448</b>	<b>(22)</b>	<b>9.367</b>	<b>-</b>	<b>60.646</b>

**13. Explanations on intangible assets**

**13.a Useful life or amortization rates used**

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

**13.b Amortization methods used:**

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

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

Current Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	6.607	(3.482)	7.960	(4.931)

Prior Period	Beginning of Prior Period		End of Prior Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	4.145	(2.505)	6.607	(3.482)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	6.607	1.540	(187)	7.960
<b>Total Cost</b>	<b>6.607</b>	<b>1.540</b>	<b>(187)</b>	<b>7.960</b>
Accumulated amortization:				
Software	(3.482)	(1.636)	187	(4.931)
<b>Total Accumulated Amortization</b>	<b>(3.482)</b>	<b>(1.636)</b>	<b>187</b>	<b>(4.931)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>3.125</b>	<b>(96)</b>	<b>-</b>	<b>3.029</b>

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	4.145	2.500	(38)	6.607
<b>Total Cost</b>	<b>4.145</b>	<b>2.500</b>	<b>(38)</b>	<b>6.607</b>
Accumulated amortization:				
Software	(2.505)	(978)	1	(3.482)
<b>Total Accumulated Amortization</b>	<b>(2.505)</b>	<b>(978)</b>	<b>1</b>	<b>(3.482)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.640</b>	<b>1.522</b>	<b>(37)</b>	<b>3.125</b>

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

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

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

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

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

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

**13.h The book value of intangible assets that are pledged or restricted for use:**

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2018: None).



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

**13.i Amount of purchase commitments for intangible assets:**

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2018: None).

**13.j Information on revalued intangible assets according to their types:**

The Bank did not revalue its intangible assets as at the reporting date (31 December 2018: None).

**13.k Amount of total research and development expenses recorded in income statement within the period, if any:**

The Bank has no research and development costs expensed in the current period (31 December 2018: None).

**13.l Information on goodwill:**

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

**13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2018: None).

**13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:**

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2018: None).

**14. Information on investment property**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**15. Information on deferred tax assets**

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

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

<b>Deferred tax asset:</b>	<b>Current Period</b>	<b>Prior Period</b>
Loan commissions accrual adjustment	22.138	23.032
Other provisions	129.195	79.316
Employee benefit provision	3.239	2.660
Marketable securities	2.028	-
Other	7.555	2.739
<b>Total Deferred Tax Asset</b>	<b>164.155</b>	<b>107.747</b>
<b>Deferred tax liability:</b>		
Marketable securities	-	(37.489)
Valuation of derivative instruments	(104.308)	(43.303)
Loan commissions accrual adjustment	(14.744)	(12.329)
Useful life difference of fixed assets	(772)	(728)
Other	(5.803)	(10.363)
<b>Total Deferred Tax Liability</b>	<b>(125.627)</b>	<b>(104.212)</b>
<b>Net Deferred Tax Asset</b>	<b>38.528</b>	<b>3.535</b>

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset / (Liability) - Net	3.535	39.366
Deferred Tax (Loss) / Gain	88.411	(102.002)
Deferred Tax that is Realized Under Shareholder's Equity (1)	(53.418)	66.171
<b>Deferred Tax Asset / (Liability) Net</b>	<b>38.528</b>	<b>3.535</b>

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**16. Explanation on assets held for sale**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Net book value at beginning of period</b>	1	-
Cash Paid for Purchase	64.402	1
Expected Loss (-)	-	-
<b>Net book value at end of period</b>	<b>64.403</b>	<b>1</b>

Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş.. which was established within this context with 1,6172% stake and amounting to TL 64.403 . The Bank considered the related investment within the scope of TFRS 5 “Assets Held for Sale and Discontinued Operations” (31 December 2018: TL 1).

**17. Information about other assets**

**17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:**

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2018: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**II. Explanations and disclosures related to the liabilities**

**1. Information of maturity structure of deposits**

**1.a Maturity structure of deposits:**

The Bank is not authorized to accept deposits.

**1.b Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:**

The Bank is not authorized to accept deposits.

**1.c Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:**

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

**2. Negative differences table related to derivative financial liabilities**

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	41.025	142	87.610	6.307
Swap Transactions	235.908	181.127	354.659	111.839
Futures Transactions	-	-	-	-
Options	-	9.596	-	59.646
Other	-	-	-	-
<b>Total</b>	<b>276.933</b>	<b>190.865</b>	<b>442.269</b>	<b>177.792</b>

(1) Financial Liabilities for Hedging Purposes amounting to TL 16.545 (31 December 2018: TL 172.258) are shown in "Derivative Financial Liabilities" in accordance with the financial statement format with effective date of 1 January 2019.

**3. Information on banks and other financial institutions**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	493.500	412.684	5.000	265.220
From Foreign Banks, Institutions and Funds	122.030	25.318.717	122.007	23.183.791
<b>Total</b>	<b>615.530</b>	<b>25.731.401</b>	<b>127.007</b>	<b>23.449.011</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	132.621	5.000	-
Medium and long-term	615.530	25.598.780	122.007	23.449.011
<b>Total</b>	<b>615.530</b>	<b>25.731.401</b>	<b>127.007</b>	<b>23.449.011</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**3. Information on banks and other financial institutions**

**3.c Information on marketable securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	5.916.000	-	6.932.250
Cost	-	5.884.485	-	6.917.804
Book Value	-	6.023.450	-	6.949.189

As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Parent Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%. As of 16 January 2018, the Bank issued the debt instrument which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

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

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	369.379	216.152	41.539	137.458
Financial institutions and organizations	320.343	-	-	-
Other institutions and organizations	48.417	211.791	41.013	133.730
Real persons	619	4.361	526	3.728
From Foreign Transactions	5	446.020	4	-
Financial institutions and organizations	-	446.020	-	-
Other institutions and organizations	2	-	2	-
Real persons	3	-	2	-
<b>Total</b>	<b>369.384</b>	<b>662.172</b>	<b>41.543</b>	<b>137.458</b>

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**5. Informations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

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

**5.b Explanations regarding operational leases:**

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 177 computers are subject to operational leasing. (31 December 2018: 2 head office buildings, 1 branch, 11 cars and 327 computers under operational leasing). In the current period, the Bank has TL 34.278 liabilities within the scope of TFRS 16 regarding operating lease transactions

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	16.545	-	172.258
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>16.545</b>	<b>-</b>	<b>172.258</b>

(1) Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities" account in accordance with the financial statement format with effective date of 1 January 2019.

**7. Explanations on provisions**

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

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

**7.b Unindemnified non-cash loans third stage expected loss provisions or non-cash loans expected loss provisions:**

The Bank's specific provisions provided for unindemnified non cash loans third stage expected loss provisions amounts to TL 838 (31 December 2018: TL 736).

The Bank has TL 23.857 of non-cash loans for the expected loss provision. (December 31,2018: TL 11.251)

**7.c Information on other provisions:**

**7.c.1 Provision for possible losses:**

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (31 December 2018: TL 220.000).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**7. Information on provisions (continued)**

**7.c Information on other provisions (continued)**

**7.c.2 Information on employee termination benefits and unused vacation accrual**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2019, employee termination benefits is amounting TL 11.864 reflected in financial statements (31 December 2018: TL 9.770). As of 31 December 2018, the Bank has provided a reserve for unused vacation amounting to TL 2.860 (31 December 2018: TL 2.319). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amount of TL 940 are consisted after 1 January 2019, are recognised under equity in accordance with revised TAS 19 standard (31 December 2018: TL 670 actuarial loss).

***Liabilities on pension rights***

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2019, the Bank has no obligations on pension rights (31 December 2018: None).

***Liabilities for pension funds established in accordance with Social Security Institution***

None (31 December 2018: None).

***Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees***

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

Accordingly, as of 31 December 2019 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.16, the accounting policies related with employee benefits.

**7.c.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:**

None

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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	67.604	-	82.363	-
Deferred tax liability	-	-	-	-
<b>Total</b>	<b>67.604</b>	<b>-</b>	<b>82.363</b>	<b>-</b>

**8.a.2 Information on taxes payable:**

	Current Period	Prior Period
Corporate taxes payable	67.604	82.363
Taxation of securities	337	523
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	6.865	6.460
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	430	701
Other	2.054	1.686
<b>Total</b>	<b>77.290</b>	<b>91.733</b>

**8.a.3 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	45	38
Unemployment insurance-Employer	90	75
Other	-	-
<b>Total</b>	<b>135</b>	<b>113</b>

**8.b Information on deferred taxes liabilities:**

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

**9. Explanations on liabilities regarding assets held for sale**

None (31 December 2018: None).



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

As of 28 March 2017, the Bank issued the sustainable subordinated debt instruments which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625%, semiannual coupon payment. The value of the borrowing instrument as of the period end is TL 1.830.045.

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity				
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	1.830.045	-	1.549.774
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	1.830.045	-	1.549.774
<b>Total</b>	<b>-</b>	<b>1.830.045</b>	<b>-</b>	<b>1.549.774</b>

**11. Explanations on shareholders' equity**

**11.a Presentation of paid-in capital:**

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

**11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:**

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	4.500.000

**11.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Bank has no capital increase in the current period, and it was decided to transfer the 2018 profit to the reserves within the framework of the General Assembly Decision.

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018 and was announced in the Turkish Trade Registry Gazette dated 7 June 2018 and No. 9605.

**11.d Information on share capital increases from capital reserves:**

None (31 December 2018: None).

**11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**11. Explanations on shareholders' equity (continued)**

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

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

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

**11.g Information on preferred shares:**

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

**11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	845.518	-	801.864	-
<b>Available for Sale Financial Assets</b>	67.613	(3.357)	(69.635)	(69.434)
Valuation Differences	46.899	(3.357)	(85.339)	(69.434)
Foreign Exchange Difference	20.714	-	15.704	-
<b>Total</b>	<b>913.131</b>	<b>(3.357)</b>	<b>732.229</b>	<b>(69.434)</b>

**11.i Informations on legal reserves:**

	Current Period	Prior Period
First legal reserve	303.070	184.354
Second legal reserve	-	85.670
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>303.070</b>	<b>270.024</b>

**11.j Informations on extraordinary reserves:**

	Current Period	Prior Period
Reserves appropriated by the General Assembly	833.645	170.106
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
<b>Total</b>	<b>833.645</b>	<b>170.106</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for Forward Purchase and Sales of Assets	21.404	97.040
Commitments for Stock Brokerage Purchase and Sales	5.638	25.941
Commitments for Letter of Credit	94.264	177.294
Capital commitments for subsidiaries and associates (1)	96.782	97.805
Other	222.589	193.329
<b>Total</b>	<b>440.677</b>	<b>591.409</b>

(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 2.728.688 (31 December 2018: TL 1.590.814).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 1.819.030 (31 December 2018: TL 1.582.995).

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

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given against obtaining cash loans	1.816.074	1.559.899
With maturity of one year or less than one year	189.405	92.374
With maturity of more than one year	1.626.669	1.467.525
Other non-cash loans	2.731.644	1.613.910
<b>Total</b>	<b>4.547.718</b>	<b>3.173.809</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**1. Explanation on off-balance sheet liabilities**

**1.d Information on sectoral risk concentration of non cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	446.093	99	3.875.939	94	483.461	99	2.533.836	95
Mining	-	-	29.417	1	20.650	4	-	-
Manufacturing Industry	224.957	50	2.312.722	56	279.645	57	1.329.829	50
Electricity, Gas, Water	221.136	49	1.533.800	37	183.166	38	1.204.007	45
Construction	3.013	1	27.637	1	2.747	1	710	-
Services	1.630	-	193.406	5	1.739	-	151.316	5
Wholesale and Retail Trade	-	-	3.947	-	-	-	6.229	-
Hotel, Food and Beverage Services	-	-	115.344	3	-	-	107.718	4
Transportation and Communication	1.138	-	-	-	1.138	-	9.701	-
Financial Institutions	96	-	74.115	2	321	-	27.668	1
Real Asset and Leasing Services	396	-	-	-	280	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>450.736</b>	<b>100</b>	<b>4.096.982</b>	<b>100</b>	<b>487.947</b>	<b>100</b>	<b>2.685.862</b>	<b>100</b>

**1.e Information on non cash loans classified under Group I and Group II:**

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	440.863	4.083.632	478.129	2.676.264	6.547	13.350	6.854	9.598
Letters of Guarantee (1)	440.863	1.368.294	478.129	1.095.048	6.547	-	6.854	-
Bank Acceptances	-	190.447	-	-	-	-	-	-
Letters of Credit	-	2.524.891	-	1.581.216	-	13.350	-	9.598
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

(1) The letter of guarantee followed in the stage 3 is amounting to TL 3.326.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**2. Explanation related to derivative financial instruments**

As of 31 December 2019, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	1.359.615	1.355.680	523.843	2.618.503	444.061	443.961	-	-	-
US Dollar	1.067.693	1.068.050	12.393.207	7.923.738	259.855	259.855	-	-	16.520.430
Euro	268.272	268.400	3.282.915	5.217.682	184.034	184.034	-	-	-
Other	-	-	147.015	157.687	-	-	-	-	-
<b>Total</b>	<b>2.695.580</b>	<b>2.692.130</b>	<b>16.346.980</b>	<b>15.917.610</b>	<b>887.950</b>	<b>887.850</b>	<b>-</b>	<b>-</b>	<b>16.520.430</b>

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	974.149	845.785	827.263	3.432.783	1.281.990	1.281.990	-	-	-
US Dollar	136.897	321.265	10.777.833	6.640.106	1.204.750	1.204.755	-	-	18.028.129
Euro	827.414	695.439	3.890.834	5.231.512	147.514	147.509	-	-	-
Other	-	-	166.575	155.096	-	-	-	13.401	-
<b>Total</b>	<b>1.938.460</b>	<b>1.862.489</b>	<b>15.662.505</b>	<b>15.459.497</b>	<b>2.634.254</b>	<b>2.634.254</b>	<b>-</b>	<b>13.401</b>	<b>18.028.129</b>

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	663.399	286.807	13.567.336	658.746	394.627	14.409.996
Interest Rate Swap Transactions	177.133	130.228	18.697.254	107.411	71.871	16.712.006
Forward Transactions	44.287	41.167	5.387.710	152.353	93.917	3.800.949
Option Transactions	9.596	9.596	1.775.800	59.646	59.646	5.268.508
Other	-	-	-	-	-	13.401
<b>Total</b>	<b>894.415</b>	<b>467.798</b>	<b>39.428.100</b>	<b>978.156</b>	<b>620.061</b>	<b>40.204.860</b>

***Fair value hedge***

For the year ended 31 December 2019, the Bank has interest rate swaps for hedging purposes nominal amount of TL 16.520.430 (31 December 2018: TL 18.028.129)

***Hedging from the cash-flow risk***

As of 31 December 2019 there is no cash-flow hedging transactions (31 December 2018: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**3. Explanations on loan derivatives and risk exposures**

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2018: None).

**4. Explanations on contingent liabilities and assets**

There are 41 legal cases against the Bank which are amounting to TL 2.162 as of the reporting date (31 December 2018: TL 2.175 - 37 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to “Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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	160.261	109.216	311.594	55.039
Medium and long term loans	357.131	1.525.484	330.572	1.377.651
Interest on non-performing loans	9.663	51.003	7	29.715
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>527.055</b>	<b>1.685.703</b>	<b>642.173</b>	<b>1.462.405</b>

(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)	7.101	-	10.258	-
Domestic banks	25.667	20.828	25.825	8.318
Foreign banks	1.417	6.472	1.143	499
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>34.185</b>	<b>27.300</b>	<b>37.226</b>	<b>8.817</b>

(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	370.527	71.792	296.002	62.774
Financial Assets Measured at Amortized Cost	199.903	26.895	386.565	15.635
<b>Total</b>	<b>570.433</b>	<b>98.687</b>	<b>682.587</b>	<b>78.409</b>

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2019.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Interest received from associates and subsidiaries	18.588	26.082

**2. Information on interest expenses**

**2.a Information on interest on funds borrowed:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks	44.141	85.837	46.200	72.524
The Central Bank of Turkey	-	-	-	-
Domestic banks	33.978	7.010	34.673	6.760
Foreign banks	10.163	78.827	11.527	65.764
Branches and head office abroad	-	-	-	-
Other financial institutions	2.794	505.634	2.794	439.969
<b>Total (1)</b>	<b>46.935</b>	<b>591.471</b>	<b>48.994</b>	<b>512.493</b>

(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 (31 December 2018: None).

**2.c Information on interest expense to securities issued:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Interest on Securities Issued (1)	-	556.212	-	491.351

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

**3. Information on dividend income**

	<b>Current period</b>	<b>Prior Period</b>
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.035	3.098
Other	4.088	913
<b>Total</b>	<b>7.123</b>	<b>4.011</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**4. Information on net trading income (net)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>3.354.753</b>	<b>5.547.271</b>
Gains on capital market operations	4.053	4.746
Gains on derivative financial instruments (1)	2.046.760	3.219.120
Foreign exchange gains	1.303.940	2.323.405
<b>Losses (-)</b>	<b>(3.800.413)</b>	<b>(5.814.502)</b>
Losses on capital market operations	(2.733)	(2.733)
Losses on derivative financial instruments (1)	(2.600.057)	(3.696.228)
Foreign exchange losses	(1.197.623)	(2.115.541)

(1) Foreign exchange gain from derivative transactions amounting to TL 744.128 is presented in "Gains on derivative financial instruments" (31 December 2018: TL 2.101.244 ), foreign exchange loss from derivative transactions amounting to TL (1.186.618) is presented in "Losses on derivative financial instruments" (31 December 2018: TL (2.552.274)).

**5. Explanation related to other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions Released	27.199	91.077
Gains on Sale of Assets	1.025	73
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	106	-
From Property Sales	837	-
From Other Asset Sales	82	73
Other	3.388	3.008
<b>Total</b>	<b>31.612</b>	<b>94.158</b>

**6. Expected credit loss of the Bank**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	416.769	492.813
12 Months Expected Credit Loss (Stage 1)	49.807	81.527
Significant Increase in Credit Risk (Stage 2)	143.607	131.972
Non-performing Loans (Stage 3)	223.355	279.314
Marketable Securities Impairment Expenses	42.113	8.380
Financial Assets at Fair Value Through Profit or Loss	34.196	773
Financial Assets at Fair Value Through Other Comprehensive Income	7.917	7.607
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other	-	30.000
<b>Total</b>	<b>458.882</b>	<b>531.193</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

**7. Information related to other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	1.155	787
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	14.360	3.733
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.636	978
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	24.604	31.458
Rent expenses	1.108	12.998
Maintenance expenses	836	677
Advertisement expenses	1.462	966
Other expenses	21.198	16.817
Loss on sale of assets	-	-
Other (1)	33.080	19.483
<b>Total</b>	<b>74.835</b>	<b>56.439</b>

(1) Tax and fee expenses excluding corporate tax amounting to TL 12.504; Includes allowance reserves expenses amounting to TL 541 (31.12.2018: tax and fee expenses excluding corporate tax: 5.413 TL; allowance expenses: 315 TL).

**8. Information on tax provision for continued and discontinued operations**

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

The Bank's current tax charge for the period is TL 280.993 (31 December 2018: TL 146.335). Deferred tax income is TL 88.411 (31 December 2018: TL 102.002 deferred tax expense).

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

Deferred tax income calculated on temporary differences is TL 88.411 (31 December 2018: TL 102.002 deferred tax charge).

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

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2018: TL None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

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

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

As of 31 December 2019, the Bank's profit before tax has increased by 6,16% compared to the prior period.

**10. Information on net profit/loss**

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

The Bank has generated TL 3.254.968 of interest income, TL 1.323.131 of interest expenses and TL 29.758 of net fee and commission income from banking operations (31 December 2018: TL 3.034.857 interest income, TL 1.281.465 interest expense, TL 19.001 net fee and commission income).

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

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

**10.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 December 2018: None).

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**V. Explanations related to the statement of changes in shareholders' equity**

**1. Informations related to capital**

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 303.070 Extraordinary legal reserves is TL 833.645.

**2. Accumulated other comprehensive income or loss not reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

**3. Accumulated other comprehensive income or loss reclassified through profit or loss**

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**VI. Explanations related to the statement of cash flows**

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents**

In the current period, other income amounting to TL 4.708, consists of gain on sale of assets and non-interest income (31 December 2018: TL 6.135 gain on sale of assets, and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL (344.252) consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss. (31 December 2018: TL 713.499 consists of derivative financial transaction losses, taxes paid except loss employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss).

In the current period, net increase/decrease item in other assets amounting to TL 138.668 (31 December 2018: TL (387.971)), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL (631.340) (31 December 2018: (TL 651.961)), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 3.262 (31 December 2018: TL 45.114).

**2. Information about cash flows from acquisition of associates, subsidiaries and other investments**

In the current period, the Bank has invested TL 6.366 of movable and immovable property and TL 1.540 of intangible assets. In the current period, there is TL 400 investment on subsidiaries and affiliates.

In the prior period, the Bank has invested TL 4.181 of movable and immovable property and TL 2.500 of intangible assets. In the prior period, there is TL 152.380 investment on subsidiaries and affiliates.

**Information about disposal of associates, subsidiaries, and other investments**

In the current period, the Bank has generated a cash inflow of TL 3.277 on sale of movable fixed assets and properties (31 December 2018: TL 94).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**VI. Explanations related to the statement of cash flows (continued)**

**3. Information on cash and cash equivalents at the end of the period**

Information on cash and cash equivalents at the beginning of the period:

	<b>Beginning of the Current Period</b>	<b>Beginning of the Prior Period</b>
Cash	23	20
Cash Equivalents	1.202.087	20.156
<b>Total</b>	<b>1.202.110</b>	<b>20.176</b>

Information on cash and cash equivalents at the end of the period:

	<b>End of the Current Period</b>	<b>End of the Prior Period</b>
Cash	25	23
Cash Equivalents	599.560	1.202.087
<b>Total</b>	<b>599.585</b>	<b>1.202.110</b>

**4. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons**

Reserves amounting to TL 796.067 (31 December 2018: TL 730.273) in Turkish Republic Central Bank represent Turkish Lira, foreign currency requirements of the Bank.

**5. Additional information related to financial position and liquidity of the Bank**

**5.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:**

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

**5.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:**

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**VII. Explanations on the risk group of the Bank**

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

**1.a Current Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	437.232	262	102.776	-	59.858	-
Balance at End of Period	545.560	27.938	118.394	-	39.529	-
Interest and Commission Income	17.827	761	7.453	-	3.578	-

**1.b Prior Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	257.470	262	-	-	76.931	-
Balance at End of Period	437.232	262	102.776	-	59.858	-
Interest and Commission Income (1)	25.211	871	76	-	5.823	-

(1) Includes 31 December 2018.

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

The Bank is not authorized to accept deposits.

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

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

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Fair Value Through Profit or Loss Transactions</b>						
Beginning of the Period	364.732	444.536	-	-	131.758	-
End of the Period	-	364.732	-	-	-	131.758
Total Profit / Loss	(20.179)	(356.617)	-	-	(2.231)	(1.906)
<b>Hedging Risk Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(\*) Prior Period includes informations about 31 December 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 14.181 (31 December 2018: TL 11.961).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION FIVE (Continued)**

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

**VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:**

**1. Domestic and foreign branches and representative offices**

	Number	Number of Employees			
Domestic branches	2	375			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

**2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly**

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to operations of the Bank**

**1.a Brief information related to ratings carried out by international rating firms:**

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	B+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB-
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	B
Support Note	4
Support Note Base	B+
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	B
Financial Capacity Note	b+

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 12 November 2019 and determined Bank's "Financial Capacity Note"

**MOODY'S**

Reference Financial Rating Note	caal
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	B3
Outlook	Negative
Short-term Maturity	NP
<b>Unsecured Debt-Foreign Currency</b>	
Long-term Maturity	B3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) B3

Information above represents updated information as of 18 June 2019.

**1.b Informations on corporate governance rating of the Bank:**

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,58% (9,56 over 10) as of 18 October 2019. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,70 (Weight: 25%), 9,85 (Weight: 15%), 9,37 (Weight: 35%) over 10 respectively.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION SIX (Continued)**

**OTHER EXPLANATIONS (Continued)**

**II. Other explanations related to the events after the reporting date**

The Bank issued debt instrument in abroad which have nominal value of full USD 400 Million. The redemption date of the fixed-rate,5-year bond, which was sold on 23 January 2020, was determined as 23 January 2025 and the coupon rate was 6%.

**SECTION SEVEN**

**AUDITORS' REPORT**

**I. Explanations on the auditors' report**

The unconsolidated financial statements for the period ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated 3 February 2020 is presented preceding the financial statements.

**II. Explanations and notes prepared by independent auditors**

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