Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

Publicly announced consolidated financial statements and related disclosures at June 30, 2020 together with auditor’s review report and interim activity report

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

Building a better working world

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

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

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I. of Section three)

INTERIM REVIEW REPORT

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

Introduction

We have reviewed the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") at 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 7 of the Explanations and Disclosures related to the Liabilities, the accompanying consolidated financial statements as at 30 June 2020 include a free provision amounting to TL 220.000 thousands which were provided within 2018 and before out of which TL 20.000 thousands was provided and reversed as at 31 March 2019 and 31 December 2019 respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Since the above mentioned provisions do not meet the accounting requirements of TAS 37, the "Prior Years' Profit/Loss" as of 30 June 2020 and "net income" of 30 June 2019 are understated by TL 220.000 thousands TL 20.000 thousands respectively.

Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. and its consolidated financial subsidiaries at 30 June 2020 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with "BRSA Accounting and Financial Reporting Legislation" and the accounting principles generally accepted in countries in which the accompanying consolidated 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 consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Partner

4 August 2020
İstanbul, Türkiye

THE CONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

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

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM REPORT

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

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

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

4 August 2020

H. Ersin ÖZİNCE	**Ece BÖRÜ**	**Tolga SERT**
Chairman of Board of Directors	**Deputy Chief Executive Officer Executive Vice President In Charge of Financial Reporting**	**Head of Financial Control Department**

Gamze YALÇIN	**Mahmut MAGEMİZOĞLU**
Member of Audit Committee	**Member of Audit Committee**

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

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

INDEX **Page Number**

SECTION ONE

General Information

SECTION TWO

Consolidated Financial Statements

SECTION THREE

Accounting Policies

SECTION FOUR

Information on Consolidated Financial Structure and Risk Management

SECTION FIVE

Explanations and Disclosures on Consolidated Financial Statements

SECTION SIX

Auditors' Limited Review Report

SECTION SEVEN

Information On Interim Activity Report

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	1.426.280	50,94	1.426.280	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.150	40,68	1.139.150	-
Total	**2.800.000**	**100,00**	**2.800.000**	**-**

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

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,94% of the shares belongs to İş Bank Group and 38,54% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince	Chairman of the Board of Directors
Mahmut Magemizoğlu (3)	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
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	Member of the Board of Directors
Gamze Yalçın	Member of the Board of Directors and Member of Audit Committee
Hüseyin Yalçın	Member of the Board of Directors
Ozan Uyar (3)	Member of the Board of Directors

General Manager and Vice Presidents

Name Surname	Title / Area of Responsibility
Ece Börü (deputy) (2)	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 DevelopmentN
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 and General Manager of the Bank Mr. Suat İnce resigned from his duty as a member of the Board of Directors and General Manager position due to retirement as of 3 April 2020. Assistant General Manager Mrs. Ece Börü has been appointed as Deputy General Manager.*

(3) *The Member of the Board of Directors Mr. Mehmet Şencan and Mr.Can Yücel resigned from his duty as a member of the Board of Directors. In the meeting of the Board of Directors held on 5 May 2020, it is decided that Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.*

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2020 in the General Assembly Meeting held on 26 March 2020.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

Yatırım Finansman Menkul Değerler A.Ş. :

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 89,09%. The company's headquarters is located at Istanbul/Turkey.

Yatırım Varlık Kiralama A.Ş. :

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

İş Finansal Kiralama A.Ş. :

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

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.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

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

			Reviewed Current Period 30 June 2020			**Audited Prior Period 31 December 2019**		
	ASSETS	**Section 5 Note I**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (NET)**		**4.437.179**	**4.426.158**	**8.863.337**	**3.417.606**	**3.597.087**	**7.014.693**
1.1	**Cash and Cash Equivalents**		**1.723.936**	**1.000.030**	**2.723.966**	**539.386**	**1.047.785**	**1.587.171**
1.1.1	Cash and Balances with Central Bank	(1)	1.590	215.683	217.273	513	803.528	804.041
1.1.2	Banks	(3)	362.685	784.520	1.147.205	12.973	244.719	257.692
1.1.3	Money Market Placements		1.360.524	-	1.360.524	526.286	-	526.286
1.1.4	Expected Credit Losses (-)		863	173	1.036	386	462	848
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(2)**	**8.188**	**263.097**	**271.285**	**15.821**	**263.097**	**278.918**
1.2.1	Government Debt Securities		-	-	-	-	-	-
1.2.2	Equity Instruments		6	-	6	1	-	1
1.2.3	Other Financial Assets		8.182	263.097	271.279	15.820	263.097	278.917
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(4)**	**2.150.847**	**2.334.270**	**4.485.117**	**2.209.134**	**1.977.139**	**4.186.273**
1.3.1	Government Debt Securities		1.942.434	2.271.227	4.213.661	2.001.291	1.922.143	3.923.434
1.3.2	Equity Instruments		75.274	63.043	138.317	62.763	53.806	116.569
1.3.3	Other Financial Assets		133.139	-	133.139	145.080	1.190	146.270
1.4	**Derivative Financial Assets**	**(2)**	**554.208**	**828.761**	**1.382.969**	**653.265**	**309.066**	**962.331**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		554.208	828.761	1.382.969	653.265	309.066	962.331
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**7.740.495**	**29.220.658**	**36.961.153**	**6.757.111**	**26.586.973**	**33.344.084**
2.1	**Loans**	**(5)**	**5.583.630**	**29.609.591**	**35.193.221**	**4.750.439**	**26.766.177**	**31.516.616**
2.2	**Lease Receivables**	**(10)**	**-**	**180.576**	**180.576**	**-**	**128.874**	**128.874**
2.3	**Factoring Receivables**		**-**	**-**	**-**	**-**	**-**	**-**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(6)**	**2.506.541**	**340.877**	**2.847.418**	**2.285.894**	**299.266**	**2.585.160**
2.4.1	Government Debt Securities		2.506.541	340.877	2.847.418	2.285.894	299.266	2.585.160
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	**Expected Credit Losses (-)**		**349.676**	**910.386**	**1.260.062**	**279.222**	**607.344**	**886.566**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(16)**	**64.403**	**-**	**64.403**	**64.403**	**-**	**64.403**
3.1	Held for Sale Purpose		64.403	-	64.403	64.403	-	64.403
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**525.669**	**-**	**525.669**	**473.335**	**-**	**473.335**
4.1	**Investments in Associates (Net)**	**(7)**	**498.869**	**-**	**498.869**	**465.976**	**-**	**465.976**
4.1.1	Accounted Under Equity Method		498.869	-	498.869	464.920	-	464.920
4.1.2	Unconsolidated Associates		-	-	-	1.056	-	1.056
4.2	**Subsidiaries (Net)**	**(8)**	**24.550**	**-**	**24.550**	**5.109**	**-**	**5.109**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		24.550	-	24.550	5.109	-	5.109
4.3	**Entities under Common Control (Joint Venture) (Net)**		**2.250**	**-**	**2.250**	**2.250**	**-**	**2.250**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		2.250	-	2.250	2.250	-	2.250
V.	**TANGIBLE ASSETS (Net)**	**(12)**	**345.940**	**-**	**345.940**	**347.206**	**-**	**347.206**
VI.	**INTANGIBLE ASSETS (Net)**	**(13)**	**5.113**	**-**	**5.113**	**5.074**	**-**	**5.074**
6.1	Goodwill		1.005	-	1.005	1.005	-	1.005
6.2	Other		4.108	-	4.108	4.069	-	4.069
VII.	**INVESTMENT PROPERTY (Net)**	**(14)**	**275.234**	**-**	**275.234**	**273.918**	**-**	**273.918**
VIII.	**CURRENT TAX ASSET**		**258**	**-**	**258**	**255**	**-**	**255**
IX.	**DEFERRED TAX ASSET**	**(15)**	**143.663**	**-**	**143.663**	**39.930**	**-**	**39.930**
X.	**OTHER ASSETS (Net)**	**(17)**	**578.872**	**262.684**	**841.556**	**289.966**	**400.147**	**690.113**
	TOTAL ASSETS		**14.116.826**	**33.909.500**	**48.026.326**	**11.668.804**	**30.584.207**	**42.253.011**

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2020

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

			Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
	LIABILITIES AND EQUITY	**Section 5 Note II**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
II.	**FUNDS BORROWED**	**(3)**	**465.768**	**29.258.855**	**29.724.623**	**635.639**	**25.992.686**	**26.628.325**
III.	**MONEY MARKET BALANCES**		**883.531**	**253.307**	**1.136.838**	**535.195**	**662.172**	**1.197.367**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**(3)**	**325.355**	**7.529.034**	**7.854.389**	**253.918**	**6.023.450**	**6.277.368**
4.1	Bills		-	-	-	108.662	-	108.662
4.2	Assets Backed Securities		325.355	-	325.355	145.256	-	145.256
4.3	Bonds		-	7.529.034	7.529.034	-	6.023.450	6.023.450
V.	**BORROWER FUNDS**		**5.420**	**42.919**	**48.339**	**2.494**	**56.456**	**58.950**
5.1	Borrower Funds		5.420	42.919	48.339	2.494	56.456	58.950
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**(2)**	**203.044**	**387.985**	**591.029**	**277.424**	**207.410**	**484.834**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		203.044	387.985	591.029	277.424	207.410	484.834
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES**	**(5)**	**5.422**	**-**	**5.422**	**4.913**	**-**	**4.913**
X.	**PROVISIONS**	**(7)**	**246.397**	**25.747**	**272.144**	**242.096**	**22.070**	**264.166**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		21.449	-	21.449	18.095	-	18.095
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		224.948	25.747	250.695	224.001	22.070	246.071
XI.	**CURRENT TAX LIABILITY**	**(8)**	**215.670**	**-**	**215.670**	**83.358**	**-**	**83.358**
XII.	**DEFERRED TAX LIABILITY**	**(8)**	**-**	**-**	**-**	**-**	**-**	**-**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(10)**	**-**	**2.152.755**	**2.152.755**	**-**	**1.830.045**	**1.830.045**
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	2.152.755	2.152.755	-	1.830.045	1.830.045
XV.	**OTHER LIABILITIES**		**195.792**	**299.529**	**495.321**	**158.620**	**86.076**	**244.696**
XVI.	**SHAREHOLDERS' EQUITY**		**5.572.871**	**(43.075)**	**5.529.796**	**5.182.346**	**(3.357)**	**5.178.989**
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		906	-	906	904	-	904
16.2.1	Share Premium		532	-	532	530	-	530
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		374	-	374	374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		346.681	812	347.493	337.134	(147)	336.987
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		121.066	(43.887)	77.179	75.403	(3.210)	72.193
16.5	Profit Reserves		1.947.074	-	1.947.074	1.226.589	-	1.226.589
16.5.1	Legal Reserves		342.716	-	342.716	306.633	-	306.633
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		1.525.797	-	1.525.797	841.395	-	841.395
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		324.213	-	324.213	704.226	-	704.226
16.6.1	Prior Years' Profit/Loss		1.456	-	1.456	(26.278)	-	(26.278)
16.6.2	Current Year Profit/Loss		322.757	-	322.757	730.504	-	730.504
16.7	Non-Controlling Interests		32.931	-	32.931	38.090	-	38.090
	TOTAL LIABILITIES AND EQUITY		**8.119.270**	**39.907.056**	**48.026.326**	**7.376.003**	**34.877.008**	**42.253.011**

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 30 JUNE 2020

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

			Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
	OFF-BALANCE SHEET	**Section 5 Note III**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**8.630.171**	**64.198.205**	**72.828.376**	**8.650.964**	**56.620.778**	**65.271.742**
I.	**GUARANTEES AND COLLATERALS**	**(1)**	**490.449**	**4.418.458**	**4.908.907**	**450.734**	**4.096.982**	**4.547.716**
1.1	Letters of Guarantee		490.449	1.428.188	1.918.637	450.734	1.368.294	1.819.028
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		490.449	1.428.188	1.918.637	450.734	1.368.294	1.819.028
1.2	Bank Acceptances		-	159.842	159.842	-	190.447	190.447
1.2.1	Import Letter of Acceptance		-	159.842	159.842	-	190.447	190.447
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		-	2.830.428	2.830.428	-	2.538.241	2.538.241
1.3.1	Documantery Letters of Credit		-	2.830.428	2.830.428	-	2.538.241	2.538.241
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(1)**	**1.243.842**	**5.076.841**	**6.320.683**	**1.313.799**	**3.181.266**	**4.495.065**
2.1	Irrevocable Commitments		741.064	1.061.878	1.802.942	968.090	336.269	1.304.359
2.1.1	Forward Asset Purchase and Sale Commitments		5.726	689.194	694.920	4.506	16.898	21.404
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		689	111.633	112.322	-	96.782	96.782
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		-	-	-	-	-	-
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		734.649	261.051	995.700	963.584	222.589	1.186.173
2.2	Revocable Commitments		502.778	4.014.963	4.517.741	345.709	2.844.997	3.190.706
2.2.1	Revocable Loan Granting Commitments		502.778	4.014.963	4.517.741	345.709	2.844.997	3.190.706
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(2)**	**6.895.880**	**54.702.906**	**61.598.786**	**6.886.431**	**49.342.530**	**56.228.961**
3.1	Derivative Financial Instruments for Hedging Purposes		-	18.289.746	18.289.746	-	16.520.430	16.520.430
3.1.1	Fair Value Hedge		-	18.289.746	18.289.746	-	16.520.430	16.520.430
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		6.895.880	36.413.160	43.309.040	6.886.431	32.822.100	39.708.531
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.886.710	5.381.895	7.268.605	2.715.295	2.672.415	5.387.710
3.2.1.1	Forward Foreign Currency Transactions-Buy		952.358	2.684.684	3.637.042	1.359.615	1.335.965	2.695.580
3.2.1.2	Forward Foreign Currency Transactions-Sell		934.352	2.697.211	3.631.563	1.355.680	1.336.450	2.692.130
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		4.510.074	30.485.546	34.995.620	3.283.114	29.261.907	32.545.021
3.2.2.1	Foreign Currency Swap-Buy		313.480	7.570.488	7.883.968	664.611	6.474.510	7.139.121
3.2.2.2	Foreign Currency Swap-Sell		4.196.594	3.305.828	7.502.422	2.618.503	4.090.143	6.708.646
3.2.2.3	Interest Rate Swap-Buy		-	9.804.615	9.804.615	-	9.348.627	9.348.627
3.2.2.4	Interest Rate Swap-Sell		-	9.804.615	9.804.615	-	9.348.627	9.348.627
3.2.3	Foreign Currency, Interest Rate, and Securities Options		489.550	542.298	1.031.848	888.022	887.778	1.775.800
3.2.3.1	Foreign Currency Options-Buy		244.775	271.149	515.924	444.061	443.889	887.950
3.2.3.2	Foreign Currency Options-Sell		244.775	271.149	515.924	443.961	443.889	887.850
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		3.485	3.421	6.906	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	3.421	3.421	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		3.485	-	3.485	-	-	-
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		6.061	-	6.061	-	-	-
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**86.629.725**	**588.489.234**	**675.118.959**	**75.378.722**	**466.258.507**	**541.637.229**
IV.	**ITEMS HELD IN CUSTODY**		**3.196.308**	**246.940**	**3.443.248**	**2.730.641**	**688.583**	**3.419.224**
4.1	Customers' Securities Held		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		2.737.219	246.940	2.984.159	2.136.470	688.583	2.825.053
4.3	Checks Received for Collection		248	-	248	248	-	248
4.4	Commercial Notes Received for Collection		4.097	-	4.097	-	-	-
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		454.744	-	454.744	593.923	-	593.923
V.	**PLEDGES ITEMS**		**62.135.588**	**330.536.124**	**392.671.712**	**52.958.989**	**254.620.688**	**307.579.677**
5.1	Marketable Securities		456.248	29.789.899	30.246.147	471.248	13.784.545	14.255.793
5.2	Guarantee Notes		57.979	1.755.625	1.813.604	95.499	3.691.702	3.787.201
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		4.816.721	78.701.290	83.518.011	3.805.808	63.849.083	67.654.891
5.6	Other Pledged Items		56.804.640	220.289.310	277.093.950	48.586.434	173.295.358	221.881.792
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**21.297.829**	**257.706.170**	**279.003.999**	**19.689.092**	**210.949.236**	**230.638.328**
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		**95.259.896**	**652.687.439**	**747.947.335**	**84.029.686**	**522.879.285**	**606.908.971**

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020

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

	STATEMENT OF PROFIT OR LOSS	Section 5 Note IV	Reviewed Current Period 1 January 2020 – 30 June 2020	Reviewed Prior Period 1 January 2019 – 30 June 2019	Reviewed Current Period 1 April 2020 – 30 June 2020	Reviewed Prior Period 1 April 2019 – 30 June 2019
I.	**INTEREST INCOME**	**(1)**	**1.584.299**	**1.800.417**	**795.406**	**918.544**
1.1	Interest on Loans		1.160.076	1.208.076	589.426	640.811
1.2	Interest Received from Reserve Deposits		-	5.357	-	3.132
1.3	Interest Received from Banks		16.068	31.288	8.826	17.772
1.4	Interest Received from Money Market Placements		26.554	197.603	12.394	84.391
1.5	Interest Received from Marketable Securities Portfolio		373.453	348.452	180.642	168.796
1.5.1	Fair Value Through Profit or Loss		797	953	275	317
1.5.2	Fair Value Through other Comprehensive Income		222.142	219.740	110.346	112.427
1.5.3	Measured at Amortized Cost		150.514	127.759	70.021	56.052
1.6	Finance Lease Income		4.346	3.377	2.262	1.612
1.7	Other Interest Income		3.802	6.264	1.856	2.030
II.	**INTEREST EXPENSES (-)**	**(2)**	**661.063**	**793.708**	**321.860**	**406.515**
2.1	Interest on Deposits		-	-	-	-
2.2	Interest on Funds Borrowed		316.667	356.459	151.879	186.066
2.3	Interest on Money Market Borrowings		19.162	140.655	11.522	66.403
2.4	Interest on Securities Issued		323.732	294.439	157.975	153.027
2.5	Leasing Interest Expense		110	43	14	43
2.6	Other Interest Expense		1.392	2.112	470	976
III.	**NET INTEREST INCOME (I - II)**		**923.236**	**1.006.709**	**473.546**	**512.029**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSES**		**58.644**	**27.642**	**22.241**	**11.872**
4.1	Fees and Commissions Received		61.168	35.012	21.462	15.968
4.1.1	Non-cash Loans		20.126	11.140	6.664	5.634
4.1.2	Other		41.042	23.872	14.798	10.334
4.2	Fees and Commissions Paid (-)		2.524	7.370	(779)	4.096
4.2.1	Non-cash Loans		1.586	1.702	763	787
4.2.2	Other		938	5.668	(1.542)	3.309
V.	**DIVIDEND INCOME**	**(3)**	**10.801**	**6.707**	**4.857**	**2.505**
VI.	**NET TRADING INCOME**	**(4)**	**(10.506)**	**(215.631)**	**188**	**(136.312)**
6.1	Securities Trading Gains / (Losses)		1.475	978	1.983	488
6.2	Derivative Financial Instruments Gains / Losses		134.528	(172.325)	(28.783)	(278.709)
6.3	Foreign Exchange Gains / Losses (Net)		(146.509)	(44.284)	26.988	141.909
VII.	**OTHER OPERATING INCOME**	**(5)**	**18.319**	**31.258**	**8.761**	**7.061**
VIII.	**GROSS OPERATING INCOME (III+IV+V+VI+VII)**		**1.000.494**	**856.685**	**509.593**	**397.155**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**454.068**	**236.156**	**230.116**	**85.221**
X.	**OTHER PROVISION EXPENSES (-)**	**(6)**	**-**	**20.000**	**-**	**-**
XI.	**PERSONNEL EXPENSES (-)**		**85.435**	**78.080**	**44.085**	**40.543**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**66.115**	**45.983**	**30.097**	**24.897**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**394.876**	**476.466**	**205.295**	**246.494**
XIV.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**	**-**	**-**	**-**
XV.	**PROFIT / (LOSS) ON EQUITY METHOD**		**22.649**	**16.005**	**14.507**	**22.665**
XVI.	**GAIN / (LOSS) ON NET MONETARY POSITION**		**-**	**-**	**-**	**-**
XVII.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)**		**417.525**	**492.471**	**219.802**	**269.159**
XVIII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(8)**	**98.549**	**109.616**	**51.155**	**55.486**
18.1	Provision for Current Income Taxes		197.957	136.554	195.823	92.003
18.2	Deferred Tax Income Effect (+)		200.097	133.382	34.021	42.383
18.3	Deferred Tax Expense Effect (-)		299.505	160.320	178.689	78.900
XIX.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)**	**(10)**	**318.976**	**382.855**	**168.647**	**213.673**
XX.	**INCOME ON DISCONTINUED OPERATIONS**		-	-	-	-
20.1	Income on Assets Held for Sale		-	-	-	-
20.2	Income on Sale of Associates, Subsidiaries and JointlyControlled Entities (Joint Venture)		-	-	-	-
20.3	Income on Other Discontinued Operations		-	-	-	-
XXI.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		-	-	-	-
21.1	Loss from Assets Held for Sale		-	-	-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
21.3	Loss from Other Discontinued Operations		-	-	-	-
XXII.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)**		-	-	-	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-	-	-
23.1	Provision for Current Income Taxes		-	-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-	-	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**(11)**	**318.976**	**382.855**	**168.647**	**213.673**
25.1	Group's Profit / Loss		322.757	384.955	170.346	214.547
25.2	Minority Shares (-)		(3.781)	(2.100)	(1.699)	(874)
	Earning / (loss) per share		0,115	0,137	0,061	0,076

The accompanying notes are an integral part of these consolidated financial statement

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

	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	**Reviewed Current Period 1 January 2020 – 30 June 2020**	**Reviewed Prior Period 1 January 2019– 30 June 2019**
I.	**CURRENT PERIOD INCOME / LOSS**	**318.976**	**382.855**
II.	**OTHER COMPREHENSIVE INCOME**	**15.492**	**45.731**
2.1	**Not Reclassified Through Profit or Loss**	10.506	(2.898)
2.1.1	Property and Equipment Revaluation Increase / Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain / Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	10.506	(2.898)
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2	**Reclassified Through Profit or Loss**	**4.986**	**48.629**
2.2.1	Foreign Currency Translation Differences	8.279	4.106
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(19.498)	49.583
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	11.880	5.660
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	4.325	(10.720)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**334.468**	**428.586**

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020

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

							Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss								
	CHANGES IN SHAREHOLDERS' EQUITY	Note	**Paid-in Capital**	**Share Premiums**	**Share Cancellation Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit or (Loss)**	**Current Period Profit or (Loss)**	**Total Equity Except from Minority Interest**	**Minority Interest**	**Total Shareholders' Equity**
	Prior Period – 30 June 2019																	
I.	**Prior Period End Balance**		**2.800.000**	**516**	**-**	**374**	**261.494**	**(566)**	**23.442**	**15.704**	**(162.058)**	**6.791**	**529.059**	**670.698**	**-**	**4.145.454**	**38.622**	**4.184.076**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**2.800.000**	**516**	**-**	**374**	**261.494**	**(566)**	**23.442**	**15.704**	**(162.058)**	**6.791**	**529.059**	**670.698**	**-**	**4.145.454**	**38.622**	**4.184.076**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**(2.898)**	**4.106**	**38.863**	**5.660**	**-**	**-**	**384.955**	**430.686**	**(2.100)**	**428.586**
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**		**-**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**82**	**436**	**-**	**526**	**(3.837)**	**(3.311)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**697.397**	**(697.531)**	**-**	**(134)**	**-**	**(134)**
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	(134)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	697.397	(697.397)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance		**2.800.000**	**524**	**-**	**374**	**261.494**	**(566)**	**20.544**	**19.810**	**(123.195)**	**12.451**	**1.226.538**	**(26.397)**	**384.955**	**4.576.532**	**32.685**	**4.609.217**

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

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020

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

							Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss								
	CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period – 30 June 2020																	
I.	**Prior Period End Balance**		**2.800.000**	**530**	**-**	**374**	**310.599**	**(1.393)**	**27.781**	**20.714**	**28.010**	**23.469**	**1.226.589**	**704.226**	**-**	**5.140.899**	**38.090**	**5.178.989**
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**	**530**	**-**	**374**	**310.599**	**(1.393)**	**27.781**	**20.714**	**28.010**	**23.469**	**1.226.589**	**704.226**	**-**	**5.140.899**	**38.090**	**5.178.989**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	**10.506**	**8.279**	**(15.173)**	**11.880**	-	-	**322.757**	**338.249**	**(3.781)**	**334.468**
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**		-	**2**	-	-	-	-	-	-	-	-	**17.841**	**3.049**	-	**20.892**	**(1.378)**	**19.514**
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**702.644**	**(705.819)**	-	**(3.175)**	-	**(3.175)**
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(3.175)	-	(3.175)	-	(3.175)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	702.644	(702.644)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance		**2.800.000**	**532**	**-**	**374**	**310.599**	**(1.393)**	**38.287**	**28.993**	**12.837**	**35.349**	**1.947.074**	**1.456**	**322.757**	**5.496.865**	**32.931**	**5.529.796**

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

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

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

		Note	Reviewed Current Period 30 June 2020	Reviewed Prior Period 30 June 2019
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**1.234.106**	**723.572**
1.1.1	Interest Received		1.414.704	1.592.355
1.1.2	Interest Paid		(560.285)	(799.812)
1.1.3	Dividends Received		10.801	6.707
1.1.4	Fees and Commissions Received		61.168	35.464
1.1.5	Other Income		18.790	49.782
1.1.6	Collections from Previously Written off Loans		28.900	33.967
1.1.7	Payments to Personnel and Service Suppliers		(113.557)	(102.473)
1.1.8	Taxes Paid		(58.982)	(126.671)
1.1.9	Others		432.567	34.253
1.2	**Changes in Operating Assets and Liabilities**		**762.223**	**(8.328)**
1.2.1	Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(1.030)	(6.685)
1.2.2	Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3	Net (Increase) (Decrease) in Loans		612.879	1.014.041
1.2.4	Net (Increase) (Decrease) in Other Assets		643.431	(190.000)
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		(767.037)	(736.074)
1.2.9	Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10	Net (Increase) (Decrease) in Other Liabilities		273.980	(89.610)
I.	**Net Cash Provided by / (used in) Banking Operations**		**1.996.329**	**715.244**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided by / (used in) Investing Activities**		**(136.475)**	**(49.947)**
2.1	Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		(7.702)	-
2.2	Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(1.870)	(13.443)
2.4	Disposals of Property and Equipment		260	2.184
2.5	Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(896.987)	(390.038)
2.6	Sale of Financial Assets at Fair Value through Other Comprehensive Income		877.658	352.363
2.7	Purchase of Financial Assets Measured at Amortized Cost		(108.212)	-
2.8	Sale of Financial Assets Measured at Amortized Cost		1.577	-
2.9	Others		(1.199)	(1.013)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided by / (used in) Financing Activities**		**(185.486)**	**96.903**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		2.345.479	98.405
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.529.470)	-
3.3	Capital Increase		-	-
3.4	Dividends Paid		(134)	(134)
3.5	Payments for Financial Leases		(1.361)	(1.368)
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**55.552**	**12.354**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents**		**1.729.920**	**774.554**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**779.802**	**1.385.825**
VII.	**Cash and Cash Equivalents at End of the Period**		**2.509.722**	**2.160.379**

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

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

The accounting policies and valuation principles used in the 2020 period of Group are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

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

Additional paragraph for convenience translation to English

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

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

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

Coronavirus epidemic spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

The Bank began to apply principal and interest translation to its customers who demanded for support and convenience in the sectors whose cash flows deteriorated since was affected by the COVID-19 epidemic and the protection measures taken in this context.

As it is intended to update the financial information contained in the lastest annual financial statements in the interim financial statements prepared as of 30 June 2020 and considering the magnitude of the economic changes occurred due to COVID-19, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote IX "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and eview the realizations of past estimates.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

The Group 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 Parent Bank.

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

III. Explanations on associates and subsidiaries

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

IV. Explanations on forward and option contracts and derivative instruments

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

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

V. Explanations on associates and subsidiaries

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on interest income and expenses

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

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

VII. Explanations on fees and commission income and expenses

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

VIII. Explanations on financial assets

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Assessment of business model

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

The contractual cash flows including solely principle and interest on principle

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

Measurement categories of financial assets and liabilities

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Measurement categories of financial assets and liabilities (continued)

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

Syndicated loans extended to Ojer Telekominikasyon A.Ş. (OTAŞ) in the previous periods were restructed. Within this scope, in order to form the colleteral of these loans, taking over process of 192.500.000.000 A Group shares which constitute 55% of Turk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yonetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Parent 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 Telekomunikasyon A.Ş. dated September 23, 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomunikasyon 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 30 June 2020, the portion which is followed accounted under credit loan is TL 263.097 and classified under "Other Financial Assets" under " Financial Assets at Fair Value through Profit or Loss" in the financial statements". The total fair value decrease recognized for loans and equity amounted to TL 53.566 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss ".

Total assets amounting to TL 327.500 are measured at fair value under TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held for Sale and Discontinued Operations. The determination of this value is based on the results of an independent appraisal firm. In the valuation study, fair value is determined by considering the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports).

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

c. Financial Assets Measured at Amortized Cost:

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

c. Financial Assets Measured at Amortized Cost (continued) :

The Parent Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

d. Loans

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

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

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

IX. Explanations on impairment of financial assets

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

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occuring for the financial instrument.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Risk parameters used in TFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

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

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

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

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

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

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

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

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

Stage 1:

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Stage 2:

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

Classification method is applied according to BRSA's decision dated 27 March 2020 and numbered 8970.

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 Parent 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 Parent 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.

Classification method is applied according to BRSA's decision dated 17 March 2020 and numbered 8948.

Debt instruments measured at fair value through other comprehensive income

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

Significant increase in credit risk

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:
- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

Based on the decision of BRSA numbered 8948 dated 17 March 2020, 90 days delay for the classification of non-performing loans in the scope of the forth and fifth articles of Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans can be applied for 180 days until 31 December 2020 for loans that classified in stage 1 and stage 2 within the board of decision as of 17 March 2020 due to disruptions in economic and commercial activities resulting from the COVID-19. In this context;

. Temporarily, the receivables cannot be collect up to 180 days can be classified in Stage 2.

. For the customers who do not want to be delayed in overdue installments, the practice of being able to postpone installments within the scope of these periods has been started without breaking the existing restructuring contracts.

. In the process of completing the “Garame banks protocols”, it was formed as a result of extending the time to be given to time-consuming operations with a mutual agreement.

Ultimately, it was concluded that the expected credit losses to be calculated for such receivables will continue according to their own risk models used by banks in accordance with TFRS 9.

In the decision of the BRSA dated 27 March 2020 and numbered 8970, it was decided to apply the 30-day delay period for the classification of loans in the stage 2 can used 90 days until 31 December 2020 due to the COVID-19 outbreak, and continue to calculate Expected credit losses in accordance with TFRS 9.

In the future expectations, 3 scenarios are used to as base, bad and good. Final provisions are calculated by weighing on the possibilities given to the scenarios. As of 30 June 2020, within the scope of the ECL effects of Covid-19, the weight of the base scenario was decreased of 3 scenarios, and weights of the bad and very bad scenarios was increased. Also for possible effects the Bank has established additional provisions for the sector and customers, which are considered to have a high impact on the expected credit loss calculations by making individual assessments for the risks that cannot be captured through the models.

This approach, which is preferred in expected credit losses calculations for the first half of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

a. Offsetting of financial instruments

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

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

c. Reclassification of financial instruments

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

d. Restructuring and refinancing of financial instruments

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

XII. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumtances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay inthe sale process is due to the events and circumtances occured beyond the control of the entity or the entry remains commited to its plan to sell the asset (or disposal group). Gains or losses relating to discontinued operations are presented seperately in the income statement.

XIII. Explanations on goodwill and other intangible assets

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on goodwill and other intangible assets

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

XIV. Explanations on tangible assets

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

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

The positive difference between appraisement value and net book value of the property is accounted under shareholder’ equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

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

Investment Properties

Investment properties are real estate held to earn rent income, gain in value or both. An investment property is recognized as an asset if it is probable that future economic benefits related to the property will be available to operate and the cost of the investment property can be reliably measured. The fair value model has been chosen for valuation of investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions

TFRS 16 Leases

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

Right-of-use assets

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

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

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

Lease Liabilities

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

The lease payments include

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions (continued)

TFRS 16 Leases (continued)

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.In calculating the present value of lease payments, the Company / the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.
After the effective date of the lease, the Bank measures the lease obligation as follows:

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

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

Short-term leases and leases of low-value assets

The Parent Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of 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.

The Group as Lessor

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

The Group as Lessee

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

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

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority (“POA”) has changed to TFRS 16 “Leases” standard by publishing Privileges Granted in Lease Payments - "Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental priviliges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Parent Bank.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

XVII. Explanations on liabilities regarding employee benefits

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

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

XVIII. Explanations on taxation

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on taxation (continued)

Transfer pricing

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

XIX. Additional explanations on borrowings

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

XX. Explanations on share certificates issued

In the meeting of the General Assembly held on 26 March 2020, it has been resolved that the Parent Bank has no capital increase.

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

XXI. Explanations on acceptances

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

XXII. Explanations on government incentives

The Parent Bank does not use government incentives.

XXIII. Explanations on segment reporting

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on segment reporting (continued)

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

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

Current Period	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Net Interest Income	481.606	434.619	7.011	923.236
Net Fees and Commission Income	20.246	9.376	29.022	58.644
Other Income	-	-	51.769	51.769
Other Expense	(443.681)	(6.250)	(166.193)	(616.124)
Profit Before Tax	58.171	437.745	(78.391)	417.525
Tax Provision				(98.549)
Net Profit				**318.976**
Group's profit / loss				322.757
Minority share profit / loss				(3.781)
Current Period	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Segment Assets	34.066.506	10.661.794	2.772.357	47.500.657
Investment in Associates and Subsidiaries	-	-	525.669	525.669
Total Assets	**34.066.506**	**10.661.794**	**3.298.026**	**48.026.326**
Segment Liabilities	39.030.464	746.198	2.719.868	42.496.530
Shareholders' Equity	-	-	5.529.796	5.529.796
Total Liabilities	**39.030.464**	**746.198**	**8.249.664**	**48.026.326**

Prior Period(*)	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Net Interest Income	344.657	679.221	(17.169)	1.006.709
Net Fees and Commission Income	11.172	1.817	14.653	27.642
Other Income	3.466	-	50.503	53.970
Other Expense	(245.099)	(243.050)	(107.701)	(595.850)
Profit Before Tax	114.196	437.988	(59.714)	492.471
Tax Provision				(109.616)
Net Profit				**382.855**
Group's profit / loss				384.955
Minority share profit / loss				(2.100)
Prior Period (**)	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Segment Assets	30.810.345	8.959.572	2.009.759	41.779.676
Investment in Associates and Subsidiaries	-	-	473.335	473.335
Total Assets	**30.810.345**	**8.959.572**	**2.483.094**	**42.253.011**
Segment Liabilities	34.200.426	1.031.556	1.842.040	37.074.022
Shareholders' Equity	-	-	5.178.989	5.178.989
Total Liabilities	**34.200.426**	**1.031.556**	**7.021.029**	**42.253.011**

(*) Includes information on 30 June 2019.
(**) Includes information on 31 December 2019.

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

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to consolidated shareholders' equity

Total capital and the Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of 30 June 2020 capital adequacy ratio of the Parent Bank has been calculated as 20,19% (31 December 2019: 17,39%).

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 year-end exchange rates in calculating of the amount of subject to credit risk while calculation on amounts valued in accordance with TAS and the related specific provision except of monetary and non-monetary items in foreign currency measured in terms of the historical cost in accordance with Regulation on Measurement and Assessment of Capital Adequacy of and if the net valuation differences of the securities owned by the banks before 23 March 2020 in the portfolio of "Fair value through other comprehensive income" are negative, these negative differences may not be taken into account of calculation in accordance with the Regulation on Banks' Equity and used for capital adequacy ratio due to the fluctuations in the financial markets as a result of the COVID-19 epidemic.

The Bank did not use regulation of the BRSA this period due to sum of the valuation differences of the securities in the "Fair value through other comprehensive income" portfolio is positive.

In addition, according to BRSA 16 April 2020 judgment ıt was decided to apply 0% risk weight in the calculation of amount subject to credit risk of the banks receivables from Central Management of Republic of Turkey and issued in FX in accordance with Standard Approach within the scope of Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

	Consolidated	**Consolidated**
CORE EQUITY TIER 1 CAPITAL	**Current Period**	**Prior Period**
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	532	530
Reserves	1.947.074	1.226.589
Other comprehensive income according to TAS	516.570	479.966
Profit	324.213	704.226
Current Period Profit	322.757	730.504
Prior Period Profit	1.456	(26.278)
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	32.931	38.090
Core Equity Tier 1 Capital Before Deductions	**5.621.694**	**5.249.775**
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	91.898	70.786
Leasehold improvements on operational leases	1.966	2.606
Goodwill (net of related tax liability)	1.005	1.005
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	4.108	4.069
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier 1 Capital	**98.977**	**78.466**
Core Equity Tier I Capital	**5.522.717**	**5.171.309**
ADDITIONAL TIER I CAPITAL		
Preferred stock not ıncluded in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	**-**	**-**
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	**5.522.717**	**5.171.309**
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	2.043.300	1.774.800
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	450.610	504.412
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
Tier II Capital Before Deductions	**2.493.910**	**2.279.212**
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	**2.493.910**	**2.279.212**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**8.016.627**	**7.450.521**
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	8.016.627	7.450.521
Total Risk Weighted Assets	39.699.264	42.842.113
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	13,91	12,07
Consolidated Tier I Capital Adequacy Ratio (%)	13,91	12,07
Consolidated Capital Adequacy Ratio (%)	20,19	17,39
BUFFERS		
Total buffer requirement (a+b+c)	2,510	2.510
(a) Capital conservation buffer requirement (%)	2,500	2,500
(b) Bank specific counter-cyclical buffer requirement (%)	0,010	0,010
(c) Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	7,91	6,07
Amounts below the Excess Limits as per the Deduction Principles		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	533.215	491.777
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	836.535	554.358
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	450.610	504.412
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	-

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

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Details on Subordinated Liabilities

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated currency risk

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

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

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

	1 US Dollar	1 Euro
The Parent Bank's "Foreign Exchange Valuation Rate"		
30 June 2020	6,8110	7,6461
Prior Five Workdays:		
29 June 2020	6,8190	7,6768
26 June 2020	6,8140	7,6484
25 June 2020	6,8150	7,6686
24 June 2020	6,8075	7,7069
23 June 2020	6,8050	7,6621

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 6,7784 and 7,6332 respectively.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	111.370	104.313	-	215.683
Banks	58.978	722.392	3.150	784.520
Financial Assets at Fair Value Through Profit or Loss (1)	100.065	536.738	852	637.655
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	63.238	2.271.032	-	2.334.270
Loans (2)	14.159.303	16.900.104	-	31.059.407
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	340.877	-	340.877
Derivative Financial Assets for Hedging Purposes (5)	-	392.129	-	392.129
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	72.229	189.336	-	261.565
Total Assets	**14.565.183**	**21.456.921**	**4.002**	**36.026.106**
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	126.453	126.854	-	253.307
Funds Provided From Other Financial Institutions	12.914.323	16.344.532	-	29.258.855
Marketable Securities Issued (4)	-	9.681.789	-	9.681.789
Miscellaneous Payables	66.629	228.871	808	296.308
Derivative Financial Liabilities for Hedging Purposes (5)	-	-	-	-
Other Liabilities (6)	111.552	257.293	382	369.227
Total Liabilities	**13.218.957**	**26.639.339**	**1.190**	**39.859.486**
Net Balance Sheet Position	**1.346.226**	**(5.182.418)**	**2.812**	**(3.833.380)**
Net Off-Balance Sheet Position	**(1.357.555)**	**5.604.821**	**(1.982)**	**4.245.284**
Financial Derivative Assets	2.376.672	9.702.276	840.337	12.919.285
Financial Derivative Liabilities	(3.734.227)	(4.097.455)	(842.319)	(8.674.001)
Non-Cash Loans (7)	1.761.560	2.653.982	2.916	4.418.458
Prior Period				
Total Assets	**14.229.855**	**18.297.661**	**9.167**	**32.536.683**
Total Liabilities	**12.298.039**	**22.513.119**	**1.362**	**34.812.520**
Net Balance Sheet Position	**1.931.816**	**(4.215.458)**	**7.805**	**(2.275.837)**
Net Off –Balance Sheet Position	**(2.069.575)**	**4.460.081**	**(7.788)**	**2.382.718**
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(3.107.098)	(2.614.729)	(157.686)	(5.879.513)
Non-Cash Loans (7)	1.806.354	2.287.913	2.715	4.096.982

(1) Exchange rate differences arising from derivative transactions amounting to TL 75.651 is deducted from "Financial Assets at Fair Value Through Profit or Loss".
(2) Loans include TL , 1.482.873 foreign currency indexed loans, TL , 180.576 financial lease receivables, TL , 729.310 non-performing loans, and TL (213.633) credit-impaired losses (Stage III / Special Provision).
(3) Prepaid expenses amounting to TL 1.893, 12 months expected credit loss for other assets amounting to TL (774) 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; derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement. Foreign exchange difference accrual amounting to TL (13.577) is deducted from " Derivative Financial Assets for Hedging Purposes"..
(6) Exchange rate differences arising from derivative transactions amounting to TL 64.898, and other provisions amounting to TL 25.747 have not been included in "Other Liabilities".
(7) Has no effect on net off-balance sheet position.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk

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

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario 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 Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

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

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	1.569	-	-	-	-	215.592	217.161
Banks (2)	979.221	60.240	46.060	-	-	60.901	1.146.422
Financial Assets at Fair Value Through Profit and Loss (3)	41.049	392.371	375.220	454.384	384.349	6.881	1.654.254
Money Market Placements (2)	460.995	563.383	336.005	-	-	-	1.360.383
Financial Assets at Fair Value through Other Comprehensive Income (2)	129.065	87.232	1.061.200	1.838.970	1.227.521	141.129	4.485.117
Loans (2)	5.550.066	6.453.641	10.502.470	5.888.271	5.722.698	-	34.117.146
Financial Assets Measured at Amortized Cost (2)	354.083	1.041.162	1.108.293	-	340.469	-	2.844.007
Other Assets (2)	-	-	-	64.403	-	2.137.433	2.201.836
Total Assets	**7.516.048**	**8.598.029**	**13.429.248**	**8.246.028**	**7.675.037**	**2.561.936**	**48.026.326**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.136.838	-	-	-	-	-	1.136.838
Miscellaneous Payables	-	-	-	-	-	371.784	371.784
Marketable Securities Issued (4)	-	-	2.070.943	7.610.846	-	325.355	10.007.144
Funds Provided from Other Financial Institutions	3.821.171	7.427.384	10.791.475	3.509.120	4.175.473	-	29.724.623
Other Liabilities	52.864	67.368	80.659	163.819	268.250	6.152.977	6.785.937
Total Liabilities	**5.010.873**	**7.494.752**	**12.943.077**	**11.283.785**	**4.443.723**	**6.850.116**	**48.026.326**
Balance Sheet Long Position	**2.505.175**	**1.103.277**	**486.171**	**-**	**3.231.314**	**-**	**7.325.937**
Balance Sheet Short Position	**-**	**-**	**-**	**(3.037.757)**	**-**	**(4.288.180)**	**(7.325.937)**
Off-Balance Sheet Long Position	-	-	426.628	2.879.123	892.889	-	4.198.640
Off-Balance Sheet Short Position	(1.801.876)	(2.023.305)	-	-	-	-	(3.825.181)
Total Position	**703.299**	**(920.028)**	**912.799**	**(158.634)**	**4.124.203**	**(4.288.180)**	**373.459**

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellenous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.
(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.
(3) Derivative financial assets and loans measured at fair value through profit or loss.
(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	803.582	-	-	-	-	30	803.612
Banks (2)	105.873	106.217	-	-	-	45.218	257.308
Financial Assets at Fair Value Through Profit and Loss (3)	187.104	401.575	320.280	156.641	168.514	7.135	1.241.249
Money Market Placements (2)	252.767	273.232	252	-	-	-	526.251
Financial Assets at Fair Value through Other Comprehensive Income (2)	159.716	436.915	1.147.301	1.646.055	679.717	116.569	4.186.273
Loans (2)	5.613.551	7.365.035	8.697.347	5.230.649	3.855.703	-	30.762.285
Financial Assets Measured at Amortized Cost (2)	338.296	994.092	950.535	-	298.876	-	2.581.799
Other Assets (2)	-	-	-	64.403	-	1.829.831	1.894.234
Total Assets	**7.460.889**	**9.577.066**	**11.115.715**	**7.097.748**	**5.002.810**	**1.998.783**	**42.253.011**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.197.709	-	-	-	-	(342)	1.197.367
Miscellaneous Payables	-	-	-	-	-	128.262	128.262
Marketable Securities Issued (4)	-	108.662	2.087.826	5.765.669	-	145.256	8.107.413
Funds Provided from Other Financial Institutions	3.892.357	6.211.730	9.490.539	2.692.067	4.341.632	-	26.628.325
Other Liabilities	130.310	222.183	127.051	47.605	-	5.664.495	6.191.644
Total Liabilities	**5.220.376**	**6.542.575**	**11.705.416**	**8.505.341**	**4.341.632**	**5.937.671**	**42.253.011**
Balance Sheet Long Position	**2.240.513**	**3.034.491**	**-**	**-**	**661.178**	**-**	**5.936.182**
Balance Sheet Short Position	**-**	**-**	**(589.701)**	**(1.407.593)**	**-**	**(3.938.888)**	**(5.936.182)**
Off-Balance Sheet Long Position	-	-	-	4.035.583	673.362	-	4.708.945
Off-Balance Sheet Short Position	(1.184.952)	(1.317.889)	(1.773.188)	-	-	-	(4.276.029)
Total Position	**1.055.561**	**1.716.602**	**(2.362.889)**	**2.627.990**	**1.334.540**	**(3.938.888)**	**432.916**

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets, other miscellenous liabilities, shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.
(2) Expected credit losses for stage 1 and stage 2 are netted off on the related maturity.
(3) Derivative financial assets and Loans measured at fair value through profit or loss.
(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,95	0,23	-	8,93
Financial Assets at Fair Value through Profit and Loss (2)	-	6,01	-	16,59
Money Market Placements	-	-	-	8,38
Financial Assets at Fair Value through Other Comprehensive Income	2,68	5,20	-	12,05
Loans	4,25	5,87	-	13,21
Financial Asset Measured at Amortized Cost	-	5,59	-	11,82
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,13	0,28	-	8,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,98	-	15,60
Borrower Funds	0,10	1,20	-	4,75
Funds Provided From Other Financial Institutions	1,20	2,08	-	8,45

(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.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

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

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,80	1,55	-	7,60
Financial Assets at Fair Value Through Profit and Loss (2)	-	10,05	-	14,70
Money Market Placements	-	-	-	13,49
Financial Assets at Fair Value through Other Comprehensive Income	4,24	4,76	-	17,49
Loans	4,59	6,72	-	17,04
Financial Asset Measured at Amortized Cost	-	5,59	-	12,45
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,96
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	13,10
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,11	2,88	-	10,79

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

IV. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). The Group 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 Group is not affected unless the Group 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 Group's share certificate instruments' book value, fair value and market value.

Current Period	Comparison		
Share Certificate Investments	**Book Value**	**Fair Value**	**Market Value**
Investment in Shares-Grade A	**449.338**	**-**	**983.600**
Quoted	449.338	-	983.600

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to consolidated stock position risk (continued)

Equity shares risk due from banking book (continued)

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

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	12.077	12.077	-	-	-
Other Share Certificates	-	48.812	48.812	-	-	-
Total	**-**	**60.889**	**60.889**	**-**	**-**	**-**

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	38.832	38.832	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	-	-	-
Other Share Certificates	-	-	-	-	-	-
Total	**-**	**38.832**	**38.832**	**-**	**-**	**-**

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio

1. Explanations related to the consolidated liquidity risk:

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

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

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

Considering the Parent 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 Parent Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

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

As a result of the financial uncertainty caused by the coronavirus outbreak, liquidity management has been one of the top priorities of the Parent Bank. The Parent Bank continues to manage LCR within the framework of risk appetite by keeping its high quality liquid assets at a sufficient level.

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

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

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

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

1.d Information on consolidated liquidity risk mitigation techniques:

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Parent Bank monitors those limits' utilization and informs the Board of Directors, the Parent 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 Parent Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Paent Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

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

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

2. Consolidated Liquidity Coverage Ratio

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

		Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
	HIGH QUALITY LIQUID ASSETS (HQLA)				
1	High quality liquid assets			4.624.478	2.337.141
	CASH OUTFLOWS				
2	Retail and Customers Deposits	31	6	3	1
3	Stable deposits	-	-	-	-
4	Less stable deposits	1	6	3	1
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.994.921	2.298.716	2.545.385	1.853.592
6	Operational deposits	100.992	95.116	25.248	23.779
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	2.893.929	2.203.600	2.520.137	1.829.813
9	Secured funding			-	-
10	Other Cash Outflows	956.781	1.123.760	956.781	1.123.760
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	763.399	930.378	763.399	930.378
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	193.382	193.382	193.382	193.382
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	24.665.010	20.607.742	1.233.250	1.030.387
15	Other irrevocable or conditionally revocable commitments	11.119.140	9.484.489	1.377.260	1.010.064
16	**TOTAL CASH OUTFLOWS**			**6.112.679**	**5.017.804**
	CASH INFLOWS				
17	Secured Lending Transactions	2.302	-	-	-
18	Unsecured Lending Transactions	3.312.610	2.116.800	2.667.941	1.711.635
19	Other contractual cash inflows	250.124	1.746.642	250.124	1.746.642
20	**TOTAL CASH INFLOWS**	**3.565.036**	**3.863.442**	**2.918.065**	**3.458.277**
				Upper Limit Applied Amounts	
21	**TOTAL HQLA STOCK**			**4.624.478**	**2.337.141**
22	**TOTAL NET CASH OUTFLOWS**			**3.194.614**	**1.559.527**
23	**LIQUIDITY COVERAGE RATIO (%)**			**145**	**150**

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

2. Consolidated Liquidity Coverage Ratio (continued):

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

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

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. 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.

Due to the coronavirus outbreak, according to the regulation published by the BRSA on 26 March 2020, for deposit banks; It was decided to provide flexibility in compliance with the minimum ratios of the Liquidity Coverage Ratio (LCR) and for development and investment banks ; in order to reduce the operational burden, it was decided to exempt the Liquidity Coverage Ratio (LCR) from the reporting obligations to the Agency until 31 December 2020.

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

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 29%. 5% of the Parent Bank's total funding is provided from repurchase agreements.

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistribute (1)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	20	217.141	-	-	-	-	-	217.161
Banks (2)	60.901	979.221	60.240	46.060	-	-	-	1.146.422
Financial Assets at Fair Value Through Profit and Loss (3)	6.881	492.112	622.331	508.991	23.939	-	-	1.654.254
Money Market Placements (2)	-	460.995	563.383	336.005	-	-	-	1.360.383
Financial Assets at Fair Value Through Other Comprehensive Income (2)	-	67.674	-	714.676	2.258.125	1.303.513	141.129	4.485.117
Loans (2)	-	2.396.361	1.776.463	5.764.616	16.271.105	7.908.601	-	34.117.146
Financial Assets Measured at Amortized Cost (2)	-	-	-	286.605	2.149.455	407.947	-	2.844.007
Other Assets (2)	-	-	-	195.024	225.860	-	1.780.952	2.201.836
Total Assets	**67.802**	**4.613.504**	**3.022.417**	**7.851.977**	**20.928.484**	**9.620.061**	**1.922.081**	**48.026.326**
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	1.807.927	698.176	3.158.487	12.393.867	11.666.166	-	29.724.623
Money Market Borrowings	-	1.136.838	-	-	-	-	-	1.136.838
Marketable Securities Issued (4)	-	368.694	78.327	2.201.564	7.358.559	-	-	10.007.144
Miscellaneous Payables	-	-	-	-	-	-	371.784	371.784
Other Liabilities	-	216.420	175.954	207.397	33.189	-	6.152.977	6.785.937
Total Liabilities	**-**	**3.529.879**	**952.457**	**5.567.448**	**19.785.615**	**11.666.166**	**6.524.761**	**48.026.326**
Liquidity Gap	**67.802**	**1.083.625**	**2.069.960**	**2.284.529**	**1.142.869**	**(2.046.105)**	**(4.602.680)**	**-**
Net Off-balance Sheet Position	**-**	**(17.658)**	**(40.676)**	**205.612**	**228.288**	**(2.182)**	**-**	**373.384**
Financial Derivative Assets	-	3.470.237	3.626.497	5.903.885	14.191.574	3.793.892	-	30.986.085
Financial Derivative Liabilities	-	3.487.895	3.667.173	5.698.273	13.963.286	3.796.074	-	30.612.701
Non-cash Loans	-	38.505	646.861	2.569.574	437.911	813.885	402.171	4.908.907
	-	38.505	646.861	2.569.574	437.911	813.885	402.171	4.908.907
Prior Period								
Total Assets	52.383	4.458.755	3.115.046	6.067.573	18.966.086	7.060.857	2.532.311	42.253.011
Total Liabilities	(342)	2.358.718	912.443	6.136.602	16.954.525	10.098.308	5.792.757	42.253.011
Liquidity Gap	**52.725**	**2.100.037**	**2.202.603**	**(69.029)**	**2.011.561**	**(3.037.451)**	**(3.260.446)**	**-**
Net Off-balance Sheet Position	**-**	**(2.079)**	**(179.812)**	**311.081**	**306.043**	**(1.212)**	**-**	**434.021**
Financial Derivative Assets	-	3.421.629	2.036.215	6.244.197	12.887.416	3.742.034	-	28.331.491
Financial Derivative Liabilities	-	3.423.708	2.216.027	5.933.116	12.581.373	3.743.246	-	27.897.470
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.540	4.547.716

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

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

(3) Derivative financial assets and loans at fair value through profit or loss.

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to consolidated leverage ratio

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

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

Leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,77% (31 December 2019: 10,56%). Total balance sheet assets increased by 16,28 % compare to prior period.

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

		Current Period	Prior Period
1	Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (2)	42.775.864	38.615.495
2	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (2)	(5.250.462)	38.615.495
3	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	(465.963)	(1.370.332)
4	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	1.306.205	1.238.940
5	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	(4.199.994)	(2.804.361)
6	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	-	-
7	**Total Exposures (1)**	**56.048.557**	**47.826.907**

(1) The arithmetic average of the last 3 months in the related periods.

(2) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the communique on preparation of consolidated financial statements of the Banks. Consolidated financial statements prepared in accordance with TAS are not audited as of the report date and 31 December 2019 figures are used for prior period.

c) Consolidated Leverage Ratio

		Current Period (1)	Prior Period (1)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	46.643.646	40.114.358
2	(Assets deducted from Core Capital)	(66.273)	(92.635)
3	**Total risk amount of balance sheet assets (sum of lines 1 and 2)**	**46.577.373**	**40.021.723**
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	1.395.266	980.946
5	Potential credit risk amount of derivative financial assets and credit derivatives	453.666	389.386
6	**Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)**	**1.848.932**	**1.370.332**
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	415.749	572.591
8	Risk amount arising from intermediary transactions	98.053	129.806
9	**Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)**	**513.802**	**702.397**
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	11.308.444	8.536.816
11	(Correction amount due to multiplication with credit conversion rates)	(4.199.994)	(2.804.361)
12	**Total risk of off-balance sheet transactions (sum of lines 10 and 11)**	**7.108.450**	**5.732.455**
	Capital and total risk		
13	Core Capital	5.476.479	5.053.660
14	Total risk amount (sum of lines 3, 6, 9 and 12)	56.048.557	47.826.907
	Leverage ratio		
15	**Leverage ratio**	**9,77%**	**10,57%**

(1) Arithmetic average of the last three months in the related periods

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management

Linkages between financial statements and risk amounts

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

As the standard approach is utilized for the calculation of the capital adequacy of the Parent 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 Parent 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 Parent Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Parent 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.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated 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)	33.038.087	37.712.816	2.643.047
2	Standardised approach	33.038.087	37.712.816	2.643.047
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.677.676	1.410.715	134.214
5	Standardised approach for counterparty credit risk	1.677.676	1.410.715	134.214
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	1.124.450	459.363	89.956
17	Standardised approach	1.124.450	459.363	89.956
18	Internal model approaches	-	-	-
19	Operational risk	2.526.013	2.029.776	202.081
20	Basic indicator approach	2.526.013	2.029.776	202.081
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.333.038	1.229.443	106.643
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**39.699.264**	**42.842.113**	**3.175.941**

(Amounts 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 consolidated risk management (continued)

Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Current Period		**Defaulted (a)**	**Non-defaulted (b)**	**(c)**	**(d)**
1	Loans	1.199.768	40.330.133	1.259.227	40.270.674
2	Debt Securities	-	7.238.388	44.170	7.194.218
3	Off-balance sheet	3.157	11.256.660	30.227	11.229.590
4	**Total**	**1.202.925**	**58.825.181**	**1.333.624**	**58.694.482**

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

Changes in stock of default loans and debt securities

	Current Period	**Balance**
1	**Defaulted loans and debt securities at end of the previous reporting period**	**1.110.736**
2	Loans and debt securities that have defaulted since the last reporting period	831
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	91.358
6	**Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)**	**1.202.925**

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

(Amounts 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 consolidated risk management (continued)

Credit risk mitigation techniques - Standard approach

	Current Period	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	38.620.711	2.138.356	1.768.775	183.402	110.364	-	-
2	Debt securities	7.217.145	-	-	-	-	-	-
3	**Total**	**45.837.856**	**2.138.356**	**1.768.775**	**183.402**	**110.364**	**-**	**-**
4	Of which defaulted	1.103.318	-	-	-	-	-	-

	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	33.363.272	1.904.349	1.647.757	190.722	146.979	-	-
2	Debt securities	6.654.864	-	-	-	-	-	-
3	**Total**	**40.018.136**	**1.904.349**	**1.647.757**	**190.722**	**146.979**	**-**	**-**
4	Of which defaulted	1.107.772	-	-	-	-	-	-

(Amounts 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 consolidated risk management (continued)

Credit risk mitigation techniques - Standard approach (continued)

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**	
	Risk Groups	**On-Balance sheet amount**	**Off-balance sheet amount**	**On-Balance sheet amount**	**Off-balance sheet amount**	**Risk weighted amount**	**Risk weighted amount density**
1	Exposures to sovereigns and their central banks	7.052.213	219.484	7.162.538	43.897	-	-
2	Exposures to regional and local governments	3.000	-	600	-	300	50%
3	Exposures to administrative bodies and noncommercial entities	349	3.967	71	793	864	100%
4	Exposures to multilateral development banks	19.129	-	19.129	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	4.041.619	209.141	3.488.607	47	1.123.803	32%
7	Exposures to corporates	27.921.425	29.214.116	27.811.055	3.335.704	29.266.170	94%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residental real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.577.321	112.431	1.577.321	103.354	840.338	50%
11	Past due receivables	1.103.318	-	676.305	-	597.563	88%
12	Exposures in higher-risk categories	41.519	587.556	41.479	37.791	118.545	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	3.648	-	3.648	-	3.648	100%
16	Other exposures	994.074	701.263	802.618	97.470	900.068	100%
17	Equity Investments	720.004	-	720.004	-	1.519.826	211%
18	**Total**	**43.477.619**	**31.047.958**	**42.303.375**	**3.619.056**	**34.371.125**	**75%**

(Amounts 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 consolidated risk management (continued)

Credit risk mitigation techniques - Standard approach (continued)

Credit risk exposure and credit risk mitigation effects (continued)

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
	Risk Groups	**On-Balance sheet amount**	**Off-balance sheet amount**	**On-Balance sheet amount**	**Off-balance sheet amount**	**Risk weighted amount**	**Risk weighted amount density**
1	Exposures to sovereigns and their central banks	7.326.880	215.340	7.473.859	43.067	2.271.937	30%
2	Exposures to regional and local governments	-	3.000	-	3.000	1.500	50%
3	Exposures to administrative bodies and noncommercial entities	1	5.987	1	1.197	1.198	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.149.055	1.246.894	2.149.055	207.598	1.529.146	65%
7	Exposures to corporates	28.386.532	26.713.210	28.221.805	3.470.616	31.140.209	98%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residental real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.554.435	100.434	1.554.435	97.356	825.895	50%
11	Past due receivables	1.107.772	-	749.429	-	748.763	100%
12	Exposures in higher-risk categories	39.938	587.248	39.938	37.716	116.186	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	894.287	118.188	818.699	96.782	915.451	100%
17	Equity Investments	654.308	-	654.308	-	1.391.974	213%
18	**Total**	**42.113.208**	**28.990.301**	**41.661.529**	**3.957.332**	**38.942.259**	**85%**

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management (continued)

Standard Approach-Exposures by asset classes and risk weigh

	Current Period **Risk Groups/ Risk Weight**	**0%**	**10%**	**20%**	**50% Secured by Real Estate Property**	**75%**	**100%**	**150%**	**200%**	**250%**	**Total Risk Amount (After CCR and CVA)**
1	Exposures to sovereigns and their central banks	7.206.435	-	-	-	-	-	-	-	-	7.206.435
2	Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	864	-	-	-	864
4	Exposures to multilateral development banks	19.129	-	-	-	-	-	-	-	-	19.129
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	2.160.094	1.273.551	-	55.009	-	-	-	3.488.654
7	Exposures to corporates	-	-	721.932	2.606.087	-	27.818.740	-	-	-	31.146.759
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.680.675	-	-	-	-	-	1.680.675
10	Past due receivables	-	-	-	159.365	-	515.060	1.880	-	-	676.305
11	Exposures in higher-risk categories	-	-	-	294	-	131	78.845	-	-	79.270
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	-	-	-	-	-	3.648	-	-	-	3.648
15	Equity investments	-	-	-	-	-	186.789	-	-	533.215	720.004
16	Other exposures	20	-	-	-	-	900.068	-	-	-	900.088
17	**Total**	**7.225.584**	-	**2.882.026**	**5.720.572**	-	**29.480.309**	**80.725**	-	**533.215**	**45.922.431**

(Amounts 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 consolidated risk management (continued)

Standard Approach-Exposures by asset classes and risk weigh (continued)

	Prior Period **Risk Groups/ Risk Weight**	**0%**	**10%**	**20%**	**50% Secured by Real Estate Property**	**75%**	**100%**	**150%**	**200%**	**250%**	**Total Risk Amount (After CCR and CVA)**
1	Exposures to sovereigns and their central banks	5.244.989	-	-	-	-	2.271.937	-	-	-	7.516.926
2	Exposures to regional and local governments	-	-	-	3.000	-	-	-	-	-	3.000
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.198	-	-	-	1.198
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	853.632	289.203	-	1.213.818	-	-	-	2.356.653
7	Exposures to corporates	-	-	576.608	181.851	-	30.933.962	-	-	-	31.692.421
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.651.791	-	-	-	-	-	1.651.791
10	Past due receivables	-	-	-	3.212	-	744.337	1.880	-	-	749.429
11	Exposures in higher-risk categories	-	-	-	294	-	-	77.360	-	-	77.654
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	162.531	-	-	491.777	654.308
16	Other exposures	30	-	-	-	-	915.451	-	-	-	915.481
17	**Total**	**5.245.019**	**-**	**1.430.240**	**2.129.351**	**-**	**36.243.234**	**79.240**	**-**	**491.777**	**45.618.861**

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Analysis of counterparty credit risk exposure by approach

	Current Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	1.094.919	384.200	-	-	1.479.118	881.398
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)	-	-	-	-	409.045	227.017
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**1.108.415**

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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)	884.274	339.099	-	-	1.223.373	728.726
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.803	294.788
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**1.023.514**

Credit valuation adjustment 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	1.479.118	562.118
4	**Total subject to the CVA capital charge**	**1.479.118**	**562.118**

	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	1.223.373	381.915
4	**Total subject to the CVA capital charge**	**1.223.373**	**381.915**

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Explanations on counterparty credit risk (CCR)

Standard Approach- Counterparty credit risk exposures by regulatory portfolio and risk weights

Current Period Risk weight Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Exposures to sovereigns and their central banks	33.450	-	-	-	-	-	-	-	**33.450**
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	614	-	-	**614**
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	373.091	890.217	-	-	-	-	**1.263.308**
Exposures to corporates	-	-	894	4.007	-	584.420	-	-	**589.321**
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	1.471	-	-	**1.471**
Other assets	-	-	-	-	-	-	-	-	-
Total	**33.450**	**-**	**373.985**	**894.224**	**-**	**586.505**	**-**	**-**	**1.888.164**

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)
Explanations on counterparty credit risk (CCR)
Standard Approach- Counterparty credit risk exposures 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	-	-	-	-	-	2.696	-	-	2.696
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	4.914	-	-	4.914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	547.577	1.023.200	-	7.550	-	-	1.578.327
Exposures to corporates	-	-	-	-	-	386.465	-	-	386.465
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	773	-	-	773
Total	**-**	**-**	**547.577**	**1.023.200**	**-**	**402.398**	**-**	**-**	**1.973.175**

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Collaterals used for CCR

	Derivative Financial Instrument Colleterals				Other Instrument Colleterals	
Current Period	**Collaterals received**		**Collaterals given**		**Collaterals received**	**Collaterals given**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	-	-	-	-	480.117	-
Cash – foreign currency	-	-	-	-	870.914	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**1.351.030**	**-**

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default Post – CRM	**RWA**	**Exposure at Default Post – CRM**	**RWA**
Exposure to Qualified Central Counterparties (QCCPs) Total	-	7.144	241.802	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	241.560	4.831	148.244	2.964
(i) OTC Derivatives	226.487	4.530	127.470	2.549
(ii) Exchange-traded Derivatives	12.701	254	5.324	106
(iii) Securities financing transactions	2.372	47	15.449	309
(iv) Netting sets where cross-product netting has been approved	-	-		
Segregated initial margin	73.899	-	22.880	-
Non-segregated initial margin	-	-		
Pre-funded default fund contributions	76.629	2.313	70.678	2.317
Unfunded default fund contributions	-	-	-	-
Exposures to non- Central Counterparties (QCCPs) Total		-		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	**Prior Period**
	Outright products		
1	Interest rate risk (general and specific)	285.075	257.900
2	Equity risk (general and specific)	1.787	-
3	Foreign exchange risk	837.588	201.301
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	162
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**1.124.450**	**459.363**

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	29	-
Balances with the Central Bank of Turkey	1.570	215.683	484	803.528
Other	-	-	-	-
Total	**1.590**	**215.683**	**513**	**803.528**

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	1.570	8.605	484	7.461
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	207.078	-	796.067
Total	**1.570**	**215.683**	**484**	**803.528**

(1) Deposits at Central Bank of Turkey held as reserve requirement.
Expected credit loss amounting to TL 112 (31 December 2019: 429) is allocated in "Balances with the Central Bank of Turkey".

As per the Communiqué numbered 2005/1 "Reserve Deposits" of Central Bank of Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-days periods.

The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015. Interest for the required reserves in Turkish Lira is paid since 21 September 2018.

The required reserves in Turkish lira is applied the following interest rates as of 20 March 2020:

- For banks that started operating with the permission of the Banking Regulation and Supervision Agency, 6 percent for two years from the date of start-up
- Banks with annual real loan growth rate that are adapted Banks with annual real loan growth rate are above 15,00% (A) are below 15,00% (including 15,00) and Banks with annual real loan growth rate that are adapted Banks with annual real loan growth rate are below 15,00% (A) are above 5,00% (including 5,00) is 8%.
- 0 percent for other banks.

On 18 March 2020, Central Bank of the Republic of Turkey changed required reserves and TL reserve requirement ratios is associated with the annual growth rates of the total of Stage 1 Standard Cash Loans issued in Turkish Lira and Stage 2 Close monitoring Cash Loans except banks' FX indexed loans and loans extended to domestic and foreign financial institutions. According to this, TL reserve requirements ratios of the Banks with annual real loan growth rate that are adapted Banks with annual real loan growth rate are above 15,00% (A) are below 15,00% (including 15,00)), changed to 2% all maturity brackets except deposits/participation funds with a maturity of 1 year and more than 1 year and other liabilities with a maturity of more than 3 years and foreign currency required reserve ratios were changed as follows. There is no change has been made in reserve requirements for other banks.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

Original Maturity	Reserve Ratio
Until 1 year maturity (1 year included)	16
1-2 year maturity (2 year included)	11
2-3 year maturity (3 year included)	6
3-5 year maturity (5 year included)	2
More than 5 year maturity	0

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 June 2020 are presented in table below:

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

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2019: None).

2.b Information on financial assets designated at fair value through profit and loss given as repurchase agreements:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2019: None).

2.c Positive differences related to derivative financial assets:

	Current Period		**Prior Period**	
Derivative Financial Assets (1)	**TL**	**FC**	**TL**	**FC**
Forward Transactions	92.849	26.215	44.124	163
Swap Transactions	461.359	411.494	609.141	231.423
Futures Transactions	-	-	-	-
Options	-	12.500	-	9.596
Other	-	-	-	-
Total	**554.208**	**450.209**	**653.265**	**241.182**

(1) Derivative financial assets for hedging purposes amounting to TL 378.552 were presented at "Derivative Financial Assets" line (31 December 2019: 67.884).

The Parent Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 30 June 2020, the fair value of such swaps is TL 355.359 income with a total outstanding notional amount of USD 145 million. The average maturity of such swaps range between 2020 and 2023 years.

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

Net Book Value	**Current Period**	**Prior Period**
Loans Measured at Fair Value through Profit/Loss	263.097	263.097

Include the loan granted to the special purpose entity as detailed in Section Five Note I.16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

As of 30 June 2020, the Parent Bank re-evaluated the fair value of the loan in consideration of current market conditions and macroeconomic indicators, and did not change the fair value of the financial asset as of year-end.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	347.667	535.919	12.973	185.230
Foreign	15.018	248.601	-	59.489
Branches and head office abroad	-	-	-	-
Total	**362.685**	**784.520**	**12.973**	**244.719**

Expected credit loss amounting to TL 783 (31 December 2019: TL 384) is allocated in "Banks".

3.b Information on banks and foreign bank accounts:

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	307.823	-	287.144	542.673
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	**307.823**	**-**	**287.144**	**542.673**

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

All financial assets at fair value through other comprehensive income given as collateral comprise of financial assets are issued by the T.R. Undersecreteriat of Treasury. The carrying value of those assets is TL 1.815.172.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	765.572	1.049.600	749.163	1.078.533
Other	-	-	-	-
Total	**765.572**	**1.049.600**	**749.163**	**1.078.533**

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 43,40%, Eurobonds 50,74% and shares and other securities 5,86%. (31 December 2019: bonds 47,81%, Eurobonds 45,92% and shares and other securities 6,28%)

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period	Prior Period
Debt securities	4.379.449	4.107.611
Quoted on a stock exchange	2.074.478	2.155.330
Unquoted	2.304.971	1.952.281
Share certificates	148.508	126.600
Quoted on a stock exchange	30.273	20.662
Unquoted	118.235	105.938
Impairment provision(-)	45.653	47.938
Other	2.813	-
Total	**4.485.117**	**4.186.273**

As of 30 June 2020, the net book value of unquoted financial assets at fair value through other comprehensive income share certificates of the Group is TL 108.044. (31 December 2019: TL 95.907)

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	273.810	-	251.238	-
Corporate shareholders	273.810	-	251.238	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	817	-	740	-
Total	**274.627**	**-**	**251.978**	**-**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

Current Period (1)	Standard Loans	Loans and Other Receivables Under Close Monitoring		
			Amendments on Conditions of Contract	
Cash Loans		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized loans	29.919.294	914.306	1.904.765	938.182
Working Capital loans	4.022.581	65.812	575.601	938.182
Export loans	592.607	-	89.702	-
Import loans	-	-	-	-
Loans given to financial sector	4.439.759	-	-	-
Consumer loans	817	-	-	-
Credit cards	-	-	-	-
Other	20.863.530	848.494	1.239.462	-
Specialized loans	-	-	-	-
Other receivables	316.906	-	-	-
Total	**30.236.200**	**914.306**	**1.904.765**	**938.182**

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 709.068 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

Prior Period (1)	Standard Loans	Loans and Other Receivables Under Close Monitoring		
			Amendments on Conditions of Contract	
Cash Loans		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.075.576	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.600.514	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	216.424	-	-	-
Total	**27.078.581**	**803.006**	**1.696.477**	**830.780**

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

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	303.640	-	174.056	-
Significant Increase in Credit Risk	-	497.727	-	350.807

5.c Loans according to their maturity structure:

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans- TL	89	728	817
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	89	728	817
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**89**	**728**	**817**

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2019: None).

5.f Loans according to borrowers:

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

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	33.867.029	30.296.704
Foreign Loans	126.424	112.140
Total	**33.993.453**	**30.408.844**

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	591.409	545.560
Indirect loans granted to subsidiaries and associates	-	-
Total	**591.409**	**545.560**

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

	Current Period	Prior Period
Loans and other receivables with limited collectability	197.193	184.323
Loans and other receivables with doubtful collectability	203.085	120.078
Uncollectible loans and other receivables	55.006	53.942
Total	**455.284**	**358.343**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Gross amounts before provisions	-	683.357	37.887
Rescheduled loans	-	683.357	37.887
Prior Period			
Gross amounts before provisions	-	592.614	37.567
Rescheduled loans	-	592.614	37.567

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

	III. Group	IV. Group	V. Group
Current Period	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period End Balance	**457.905**	**594.045**	**55.822**
Additions (+)	12	28.220	488
Transfers from Other Categories of Non-performing Loans (+)	-	28.516	1.123
Transfers to Other Categories of Non-performing Loans (-)	28.516	1.123	-
Collections (-)	239	28.082	579
Write-offs (-)	-	-	-
Sold (-)			
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange Differences Related to Non-Performing Loans	1.559	90.296	321
Current Period End Balance	**430.721**	**711.872**	**57.175**
Provisions (-)	197.193	203.085	55.006
Net Balance on Balance Sheet	**233.528**	**508.787**	**2.169**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	11.865	682.909	34.536
Specific Provision (-)	3.711	177.555	32.367
Net Balance on Balance Sheet	**8.154**	**505.354**	**2.169**
Prior Period			
Period End Balance	10.306	592.614	34.215
Specific Provision (-)	3.223	118.878	32.335
Net Balance on Balance Sheet	**7.083**	**473.736**	**1.880**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	430.721	711.872	52.239
Specific Provision Amount (-)	197.193	203.085	50.070
Loans to Real Persons and Legal Entities (Net)	233.528	508.787	2.169
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.936
Specific Provision Amount (-)	-	-	4.936
Other Loans (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	457.905	594.045	50.924
Specific Provision Amount (-)	184.323	120.078	49.044
Loans to Real Persons and Legal Entities (Net)	273.582	473.967	1.880
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.898
Specific Provision Amount (-)	-	-	4.898
Other Loans (Net)	-	-	-

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

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	**1.072**	**66.819**	**289**
Interest Accruals and Rediscount with Valuation Differences	1.559	90.296	321
Provision Amount (-)	487	23.477	32
Prior Period (Net)	**7**	**62.652**	**75**
Interest Accruals and Rediscount with Valuation Differences	7.728	90.769	83
Provision Amount (-)	7.721	28.117	8

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

6. Information on financial assets measured at amortized cost:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	773.211	30.515	737.176	26.554
Subject to Repurchase Agreements	336.828	-	330.755	100.588
Total	**1.110.039**	**30.515**	**1.067.931**	**127.142**

6.b Information on government debt measured at amortized cost:

	Current Period	Prior Period
Government Bonds	2.847.418	2.585.160
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	**2.847.418**	**2.585.160**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6.c Information on financial assets measured at amortized cost :

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	2.506.541	2.285.894
Not Quoted	340.877	299.266
Value Increase /(Decrease)	-	-
Total	**2.847.418**	**2.585.160**

6.d Movement of financial assets at amortized costs within the year :

	Current Period	Prior Period
Balance at Beginning of the Period	**2.585.160**	**2.154.941**
Foreign Currency Differences on Monetary Assets	41.673	58.982
Purchases During The Period	108.212	433.812
Disposals Through Sales And Redemptions	1.577	195.251
Valuation Effect	-	-
Interest Income Accruals	113.950	132.676
Balance at End of Period	**2.847.418**	**2.585.160**

Expected credit loss amounting to TL 3.411 is allocated in "Financial asset measured at amortized cost" (31 December 2019: TL 3.360).

7. Information on investments in associates (net):

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

Unconsolidated non-financial associates are valued at equity.

7.b Information on unconsolidated associates:

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (1)	24.556	5.200	1.551	-	-	(15)	(21)	-
2	Ege Tarım	16.445	15.622	8.174	-	-	1.460	1.715	2.123

(1) Represents for the period ended 31 March 2020 financial statements. Prior year profit/loss is obtained from 31 March 2019 financial statements.

Information on associates disposed in the current period

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

Information on associates purchased in the current period

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

7.c Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,23
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.463.442	334.533	4.156	149.164	-	17.115	13.217	72.760
2	İş Finansal	9.954.052	1.362.963	22.650	394.222	-	53.788	42.445	379.677
3	İş Girişim	269.226	265.849	1.602	1.704	3	4.056	7.777	44.308

	Current Period	Prior Period
Balance at the Beginning of the Period	**464.920**	**428.490**
Movements During the Period	31.825	36.430
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase (1)	31.825	36.430
Provision for Impairment /cancellations	-	-
Balance at the End of the Period	**496.745**	**464.920**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) *It includes accounting diferences with equity method.*

(2) *Non-financial investments in associates amounting to TL 2.124 are not included in the table (31 December 2019 : TL 1.976).*

Information on associates disposed in the current period

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

Information on associates purchased in the current period

In current period the Group has not purchased any associates.

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	72.760	65.335
Leasing Companies	379.677	355.956
Financial Service Companies	-	-
Other Financial Associates	44.308	43.629

7.e Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	423.985	399.584
Associates Quoted on Foreign Stock Markets	-	-

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information related to subsidiaries (net)

8.a Information related to equity component of subsidiaries:

Current Period (1)	YF	TSKB GYO	Yatırım VKŞ
	Current Period	**Current Period**	**Current Period**
CORE CAPITAL			
Paid-in Capital	63.500	300.000	150
Share Premium	-	593	-
Legal Reserves	4.724	8.683	-
Other Comprehensive Income according to TAS	25.735	-	-
Current and Prior Years' Profit / Loss	45.489	(42.984)	68
Leasehold Improvements (-)	337	-	-
Intangible Assets (-)	867	32	7
Total Core Capital	**138.244**	**266.260**	**211**
Supplementary Capital	**-**	**-**	**-**
Capital	**-**	**-**	**-**
Net Available Capital	**138.244**	**266.260**	**211**

(1) The information is obtained from financial statements subject to consolidation as of 30 June 2020.

Prior Period (1)	YF	TSKB GYO	Yatırım VKŞ
	Prior Period	**Prior Period**	**Prior Period**
CORE CAPITAL			
Paid-in Capital	63.500	300.000	150
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	23
Leasehold Improvements (-)	404	-	-
Intangible Assets (-)	1.013	18	9
Total Core Capital	**116.560**	**310.826**	**164**
Supplementary Capital	**-**	**-**	**-**
Capital	**-**	**-**	**-**
Net Available Capital	**116.560**	**310.826**	**164**

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

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

8.c Information related to unconsolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	80,17	99,85

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD(1)	27.677	22.419	1.347	1.016	-	4.048	2.024	22.164
2	TSKB SD	2.549	2.392	42	212	-	(535)	(260)	1.917

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

8.d Information related to consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YF)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,09	89,91
3	Yatırım Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (1)	942.586	139.448	9.912	27.054	792	18.906	9.427	133.565
TSKB GYO (1)	571.318	266.292	295	28	-	(44.551)	(21.556)	236.129
Yatırım VKŞ	357.732	218	7	-	-	45	-	-

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

8.e Information related to consolidated subsidiaries: (continued)

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	**Prior Period**
Balance at the Beginning of the Period	**378.504**	**323.690**
Movements During the Period	(8.810)	54.814
Purchases	7.702	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation increase / decrease (1)	(16.512)	54.814
Provision for Impairment /cancellations	-	-
Balance At the End of the Period	**369.694**	**378.504**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

At the Board of Directors meeting held on 26 February 2020, The Bank decided to authorize the General directorate that purchase of TSKB GYO A.Ş. from the shares traded on the stock exchange up to a nominal amount of TL 12,5 Million within a year without any commitment, and classification of existing and new shares to be purchased, when necessary. These shares purchased until the reporting date are included in the consolidation rate.

8.f Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:

Subsidiaries	**Current Period**	**Prior Period**
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	369.694	448.695

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

8.g Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	236.129	346.953
Quoted in Foreign Stock Exchange	-	-

9. Information related to entities under common control

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

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

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

Bilici Yatırım TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, owned by TSKB GYO with 50%-50% Bilici Yatırım Sanayi ve Ticaret A.Ş has been transformed into a company named "Yarsuvat Turizm Anonim Şirketi" together with all its assets and liabilities, as a whole, by changing the type.

Transformation of Bilici Yatırım TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi to Yarsuvat Turizm Anonim Şirketi and after transformation transfer to Anavarza Otelcilik A.Ş. with all its assets and liabilities as a whole was completed with the Merger document of Adana Chamber of Commerce dated 20.12.2019 and numbered 9647.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Anavarza Hotelier Corporation	8.466	(1.827)	5.811	22	-	(1.200)	247	-

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	21.297	19.114	36.531	34.243
Between 1- 4 years	93.685	84.102	93.678	85.056
More than 4 years	90.948	77.360	10.759	9.575
Total	**205.930**	**180.576**	**140.968**	**128.874**

(1) Expected credit loss amounting to TL 27.626 (31 December 2019: TL 22.564) is allocated in “Lease Receivables ”.

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

	Current Period	Prior Period
Gross investments in finance leases	**205.930**	**140.968**
Unearned revenue from finance leases (-)	25.354	12.094
Cancelled finance leases (-)	-	-
Net investments in finance leases	**180.576**	**128.874**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

There is a positive differences amounting to TL 378.552 related to derivative financial assets for hedging purposes (31 December 2019: positive differences amounting to TL 67.884).

As of 30 June 2020, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	**Asset**	**Liability**	**Face Value**	**Asset**	**Liability**
Interest Rate Swap	14.189.584	269.004	14.189.584	16.520.430	67.884	(16.545)
FC	14.189.584	269.004	14.189.584	16.520.430	67.884	(16.545)
TL	-	-	-	-	-	-
Money Swap	4.100.162	109.548	4.100.162	-	-	-
FC	4.100.162	109.548	4.100.162	-	-	-
TL	-	-	-	-	-	-

11.a Information on fair value hedge accounting:

Current Period Hedging Item	**Hedged Item**	**Type of Risk**	**Fair Value Change of Hedged Item (*)**	**Fair Value of Hedging Instrument (1)**		**Income St Effect (Profit/Loss Through Derivative Financial Instruments)**
				Asset	**Liability**	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	(221.531)	208.429	-	(13.102)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(46.873)	45.391	-	(1.482)
Cross Money Swap Transactions	Fixed Rate Eurobond Issued	Interest Rate Risk	(104.705)	103.604	-	(1.102)

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Positive differences on derivative financial assets held for hedging purposes: (continued)

11.b 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 St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	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 is presented as net market value less credit risk and accumulated interest.

12. Information on tangible assets (net)

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

13. Information on intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 275.234 (31 December 2019: TL 273.918) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 30 June 2020 and 31 December 2019 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	36.960	-	-	-	36.960
Pendorya Mall	155.555	1.489	-	-	157.044
Adana Divan Hotel	81.403	-	(173)	-	81.230
Total	**273.918**	**1.489**	**(173)**	**-**	**275.234**

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	28.130	-	-	8.830	36.960
Pendorya Mall	154.155	1.657	-	(257)	155.555
Adana Divan Hotel	65.508	-	(2.121)	18.016	81.403
Total	**247.793**	**1.657**	**(2.121)**	**26.589**	**273.918**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	**Current period**	**Prior period**
Loan commissions accrual adjustment	25.013	22.138
Other provisions	202.608	129.195
Employee benefit provision	4.658	3.897
Marketable securities	95.376	2.028
Useful life difference of fixed assets	844	-
Other (1)	16.909	9.179
Total Deferred Tax Asset	**345.408**	**166.437**
Deferred tax liabilities:		
Marketable securities	(969)	(905)
Borrowings commissions accrual adjustment	(17.535)	(14.744)
Valuation of derivative instruments	(176.834)	(104.207)
Useful life difference of fixed assets	(606)	(846)
Others	(5.801)	(5.805)
Total Deferred Tax Liability	**(201.745)**	**(126.507)**
Net Deferred Tax Asset	**143.663**	**39.930**

(1) In the other item, there is also a deferred asset related to hedge accounting amounting to TL 10.312.

	Current period	**Prior period**
Deferred Tax as of 1 January Asset / (Liability) - Net	39.930	3.844
Deferred Tax (Loss) / Gain	99.408	26.938
Deferred Tax that is Realized Under Shareholder's Equity	4.325	(10.720)
Deferred Tax Asset / (Liability) Net	**143.663**	**20.062**

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:

There is no temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods. (31 December 2019: None).

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

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2019: None).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

16. Explanations on assets held for sale:

	Current period	Prior period
Net book Value at beginnig of the period	64.403	1
Cash Paid for Purchase (*)	-	64.402
Expected Loss (-)	-	-
Net book Value at end of the period	**64.403**	**64.403**

The Parent 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 Parent 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 Parent Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2019: TL 64.403).

17. Information about other assets

17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2019: None).

II. Explanations and disclosures related to the consolidated liabilities:

1. Information on maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

1.b Information on the scope whether the bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

2. Negative differences table related to derivative financial liabilities:

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	90.024	25.265	41.025	142
Swap Transactions	113.020	350.220	236.399	181.127
Futures Transactions	-	-	-	-
Options	-	12.500	-	9.596
Other	-	-	-	-
Total	**203.044**	**387.985**	**277.424**	**190.865**

(1) Derivative financial liabilities for hedging purposes (31 December 2019: TL 16.545) were presented at "Derivative Financial Liabilities" line. As of 30 June 2020 there is no derivative financial liabilities for hedging purposes.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosure related to the consolidated liablities (continued)

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	343.746	504.304	513.609	673.969
From Foreign Banks, Institutions and Funds	122.022	28.754.551	122.030	25.318.717
Total	**465.768**	**29.258.855**	**635.639**	**25.992.686**

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	343.746	-	20.109	132.621
Medium and long-term	122.022	29.258.855	615.530	25.860.065
Total	**465.768**	**29.258.855**	**635.639**	**25.992.686**

3.c Information about the marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	323.973	7.151.550	255.000	5.916.000
Cost	323.973	7.110.551	251.520	5.884.485
Book Value	325.355	7.529.034	253.918	6.023.450

As of 18 May 2016, selling of Greenbond which was issued by the Bank in abroad with nominal value of full USD 300 Million, 5 years maturity and for financing the green and sustainable projects. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%.

As of 16 January 2018, the Bank issued the debt instrument which have nominal value of full USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

As of 23 January 2020, the Bank issued Eurobond with the nominal amount of full USD 400 Million. Interest rate of these debt instruments determined as 6% which have the redemption date of 23 January 2025 with fixed interest rate, 5 years maturity and semiannual coupon payment.

Yatırım Varlık Kiralama A.Ş., issued its first lease certificate which was the fund user / resource institution of Palmet Gaz Grup A.Ş. with a maturity of 728 days and with an issue amounting to TL 150 million in December 2019, and the redemption of this lease certificate will be completed in December 2021.

ISIN Code	Fund User	Issue Amount(TL)	Issue Date	Redemption Date
TRDYVKSA2119	Palmet Gaz Grup A.Ş.	150.000.000	27/12/2019	24/12/2021

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

3.c Information about the marketable securities issued (continued)

Information on securities issued during the period are as follows :

ISIN Code	Fund User	Issue Amount(TL)	Issue Date	Redemption Date
TRDYVKS32217	Altınmarka Gıda San. ve Tic. A.Ş.	75.000.000	11/03/2020	09/03/2022
TRDYVKS62115	Zorlu Enerji Elektrik Üretim A.Ş.	50.000.000	03/06/2020	02/06/2021
TRDYVKSE2016	Zorlu Enerji Elektrik Üretim A.Ş.	80.000.000	25/06/2020	23/10/2020

(*)The amount of thousand of TL 31.128 included in the portfolio of Group is eliminated in financials.

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2019: None).

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2019: None).

5.b Explanations regarding operational leases:

As of the reporting date, 1 head office building, 9 branchs, 24 cars, and 341 computers of the Group companies are within the context of operational leasing. (31 December 2019:1 head office building, 8 branches, 24 cars, and 327 computers are subject to operational leasing). In the current period, the Bank has Lease liability amounting to TL 5.422 related to operational lease transactions (31 December 2019 : TL 4.913).

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

The Group has no sale and lease back transactions as of the reporting date (31 December 2019: None).

6. Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (1)	-	-	-	16.545
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	-	**16.545**

(1) Derivative financial liabilities for hedging purpose is classified in "Derivative Financial Liabilities" line in the balance sheet.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on provisions

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

As of the reporting date, the Parent Bank has no foreign exchange losses on the foreign currency indexed loans amount (31 December 2019: None).

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

As of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 934 (31 December 2019: TL 838).

The Bank has an expected loss provision amounting to TL 29.385 for non-cash loans (31 December 2019: TL 23.857)

7.c Information related to other provisions:

7.c.1 Provisions for possible losses:

Free provision amounting to TL 220.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (31 December 2019: 220.000)

7.c.2 Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the TAS 19 and reflected the calculated amount to the financial statements.

As of 30 June 2020, employee termination benefits is amounting to TL 15.151 (31 December 2019: TL 14.568) and unused vacation amounting to TL 6.298 (31 December 2019: TL 3.526). is classified under reserve for employee benefits in the financial statements.

7.c.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

Other provisions, except to free provisions for possible losses which mentioned at 7.c.1, includes amount to TL 29.385 for general provision for non-cash loans. (31 December 2019: TL 23.857 provision for the risks of loan portfolio).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on tax liability

8.a Information on current tax liability

8.a.1 Information on tax liability:

	Current Period		Prior Period	
Corporate Taxes and Deferred Taxes	TL	FC	TL	FC
Corporate Tax Liability	199.717	-	67.608	-
Deferred Tax Liability	-	-	-	-
Total	**199.717**	**-**	**67.608**	**-**

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	199.717	67.608
Taxation of Securities	2.700	1.583
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	8.928	7.358
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	763	545
Other	2.882	5.688
Total	**214.990**	**82.782**

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	209	177
Social Security Premiums-Employer	240	203
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	68	58
Unemployment Insurance-Employer	134	115
Other	29	23
Total	**680**	**576**

8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2019: None).

9. Information on liabilities regarding assets held for sale

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	2.800.000	2.800.000
Preferred Stock	-	-

11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	2.800.000	4.500.000

11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In line with the decision taken at the Ordinary General Assembly held on 26 March 2020, the Parent Bank does not have any capital increase during the current period. In accordance with the resolution of the General Assembly, it was decided to transfer 2019 profit to the reserves.

In line with the decision taken at the Ordinary General Assembly held on 29 March 2019, the Parent Bank does not have any capital increase during the current period. In accordance with the resolution of the General Assembly, it was decided to transfer 2018 profit to the reserves.

11.d Information on share capital increases from capital reserves:

None (31 December 2019: None).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

11.e Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2019: None).

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

The prior period income, the profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders' equity.

11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2019: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From Associates, Subsidiaries, and Entities Under Common Control (1)	**35.086**	**-**	**23.469**	**-**
Financial Assets at Fair Value Through Profit or Loss	**123.455**	**(43.075)**	**79.862**	**(3.357)**
Valuation Differences	94.462	(43.075)	59.148	(3.357)
Foreign Exchange Difference	28.993	-	20.714	-
Total	**158.541**	**(43.075)**	**103.331**	**(3.357)**

(1) The amounts of the investments valued according to the equity method are included in other comprehensive income.

11.i Informations on legal reserves:

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

11.j Informations on extraordinary reserves:

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

12. Informations on minority shares:

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	694.920	21.404
Commitments for Money Market Brokerage Purchase and Sales	77.967	73.508
Commitments for Stock Brokerage Purchase and Sales	82.109	345.846
Commitments for Letter of Credit	375.967	434.273
Commitments from Forward Short Term Borrowing and Transfers	-	-
Capital commitments for Subsidiaries and Associates (1)	112.322	96.782
Other	459.657	332.546
Total	**1.802.942**	**1.304.359**

(1) It includes the remaining amount of the Parent Bank to commit purchase the shares of the fund as established with the name of Turkish Growth and Innovation Fund – TGIF which is planned to be created by the European Investment Fund – EIF.

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

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

As of the reporting date, total letters of credits, surety and acceptance amount to TL 2.990.270 (31 December 2019: TL 2.728.688).

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

As of the reporting date, total letters of guarantee is TL 1.918.637 (31 December 2019: TL 1.819.030).

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

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1.829.342	1.816.072
With Maturity of One Year or Less than One Year	394.776	189.403
With Maturity of More than One Year	1.434.566	1.626.669
Other Non-Cash Loans	3.079.565	2.731.644
Total	**4.908.907**	**4.547.716**

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities (continued)

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

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

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

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

2. Information related to derivative financial instruments

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

3. Explanations on loan derivatives and risk exposures

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

4. Explanations on contingent liabilities and assets

There are 69 legal cases against the Group which are amounting to TL 5.225 as of the reporting date (31 December 2019: TL 5.251 - 69 legal cases).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Explanations on contingent liabilities and assets (continued):

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

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

There is a lawsuit for Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting to TL 7. TSKB GYO has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient. Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision. The Court decided to apply of Supreme Court's decision to dismiss. The notification of reasoned decision is expected.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Explanations on contingent liabilities and assets (continued):

Beyoğlu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoğlu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoğlu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoğlu Municipality approved the reclaim. However, there has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. Thats why, decision was appealed by the company. The Council of State reversed the judgement based on unappropriate zoning plan changes with the decision of 28 March 2014. In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO's application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form. In the case which was started to discuss again in court; an expert opinion examination was made. The Court has ruled in favor of the Parent Bank by canceling the administrative proceeding. Against decision, within the legal period, Beyoğlu Municipality has applied for the appeal law and it is expected that the file will be sent to Istanbul Regional Administrative Court for examination and, if necessary, for re-trial.

A lawsuit was filed by one of the investors of TSKB GYO on the cancellation of the 5th, 7th and 9th articles decided at the Ordinary General Assembly meeting on 27 April 2018. Although the request for the case was demanded to stop the execution of the 5th and 7th articles, the request for interim injunction requested for the suspension of the execution was rejected and an appeal was filed by the plaintiff. The trial is ongoing.

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

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest on Loans (1)				
Short Term Loans	56.484	60.461	124.189	60.589
Medium and Long Term Loans	186.964	825.209	184.270	799.363
Interest on Non-performing Loans	1.660	29.298	55	39.610
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	**245.108**	**914.968**	**308.514**	**899.562**

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
The Central Bank of Turkey (1)	-	-	5.357	-
Domestic Banks	9.090	2.717	6.827	18.107
Foreign Banks	594	3.667	1.409	4.945
Branches and Head Office Abroad	-	-	-	-
Total	**9.684**	**6.384**	**13.593**	**23.052**

(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	797	-	953	-
Financial Assets at Fair Value Through Other Comprehensive Income	143.132	79.010	185.762	33.978
Financial Assets Measured at Amortized Cost	145.196	5.318	113.449	14.310
Total	**289.125**	**84.328**	**300.164**	**48.288**

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) goverment bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of 30 June 2020 the valuation of these securities has been calculated by using the estimated annual inflation rate 10,72%.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest income (continued)

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries and Commission Income	9.161	9.172

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	13.993	71.917	39.261	43.764
The Central Bank of Turkey	-	-	-	-
Domestic Banks	8.128	12.630	33.936	9.855
Foreign Banks	5.865	59.287	5.325	33.909
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	1.393	229.364	1.385	272.049
Total (1)	**15.386**	**301.281**	**40.646**	**315.813**

(1) Commissions given to the Banks and Other Institutions are presented under interest expense.

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

There is no interest expense to its associates and subsidiaries (30 June 2019: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (1)	-	323.732	-	294.439

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

3. Information on dividend income

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

4. Information on net trading income (net)

	Current period	Prior period
Profit	**2.530.986**	**2.326.525**
Gains on capital market operations	3.582	2.450
Gains on derivative financial instruments (1)	2.020.339	1.467.819
Foreign exchange gains	507.065	856.256
Losses (-)	**2.541.492**	**2.542.156**
Losses on capital market operations	2.107	1.472
Losses on derivative financial instruments (1)	1.885.811	1.640.144
Foreign exchange losses	653.574	900.540

(1) Foreign exchange gain from derivative transactions amounting to TL 840.749 is presented in "Gains on derivative financial instruments" (30 June 2019: TL 607.277), foreign exchange loss from derivative transactions amounting to TL (725.560) is presented in "Losses on derivative financial instruments" (30 June 2019: TL (733.695)).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	270	25.298
Gains on Sale of Assets	70	174
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	106
From Property Sales	70	-
From Other Asset Sales	-	68
Other	17.979	5.786
Total	**18.319**	**31.258**

6. Provision expenses related to loans and other receivables of the Group

	Current Period	Prior Period
Expected Credit Loss	379.707	200.338
12 Months Expected Credit Loss (Stage 1)	133.897	32.182
Significant Increase in Credit Risk (Stage 2)	148.224	143.146
Non-performing Loans (Stage 3)	97.586	25.010
Marketable Securities Impairment Expenses	74.361	35.818
Financial Assets at Fair Value through Profit or Loss	53.566	30.988
Financial Assets at Fair Value through Other Comprehensive	20.795	4.830
Associates, Subsidiaries, and Entities under Common Control (Joint Venture)	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other (1)	-	20.000
Total	**454.068**	**256.156**

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	636	820
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	9.703	8.756
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	1.168	923
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	20.719	18.566
Rent Expenses	497	66
Maintenance Expenses	1.547	1.085
Advertisement Expenses	677	444
Other Expenses	17.998	16.971
Loss on Sales of Assets	-	-
Other (1)	33.889	16.918
Total	**66.115**	**45.983**

(1) It contains tax and duty expenses except corporate tax amounting to TL 3.512, vacation liablity expenses amounting to TL 2.258 (30 June 2019: It contains vacation liability expenses amounting to TL 1.662).

8. Information on tax provision for continued and discontinued operations

As of 30 June 2020 profit before tax of the Group has decreased by 15,22% as compared to the prior period (30 June 2019: 12,29 % increase). In comparison with the prior period, the Group's net interest income has decreased by 8,29% (30 June 2019: 52,09% increase).

9. Information on tax provision for continued and discontinued operations

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

The Group's current tax charge for the period is TL 197.957 (30 June 2019: TL 136.554). Deferred tax income is TL 99.408 (30 June 2019: TL 26.938 deferred tax income).

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

Deferred tax income calculated on temporary differences is TL 99.408 (30 June 2019: TL 26.938 deferred tax income).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Information on tax provision for continued and discontinued operations (continued)

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

There is no deferred tax income or expense reflected in the income statement in terms of financial losses and tax deductions and exceptions.(30 June 2019 : None)

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

The Group is decreased the net profit by 16,68% for the period ended 30 June 2020 compared to prior period.

11. Information on net profit/loss

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

The Group has generated TL 1.584.299 of interest income, TL 661.063 of interest expenses, TL 58.644 of net fee and commission income from banking operations (30 June 2019: TL 1.800.417 interest income, TL 793.708 interest expenses, TL 27.642 net fee and commission income).

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

There are no changes in the accounting estimates (30 June 2019: None).

11.c Minority share of profit and loss:

The current year loss attributable to minority shares is TL 3.781 (30 June 2019: TL 2.100 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 32.931 (30 june 2019: TL 32.685).

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

	Current Period	**Prior Period**
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	29.075	17.005
Commissions from Initial Public Offering	1.643	43
Investment Fund Management Income	2.165	1.046
Other	8.159	5.778
Total	**41.042**	**23.872**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations on the risk group of the Parent Bank

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

1.a Current period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Factors in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	545.560	27.938	118.394	-	39.529	-
Balance at the end of the period	591.409	43.441	273.810	-	32.576	-
Interest and commission income received	9.018	143	5.285	-	1.120	-

1.b Prior period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Factors in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	437.232	262	102.776	-	59.858	-
Balance at the end of the period	545.560	27.938	118.394	-	39.529	-
Interest and commission income received	8.696	476	3.861	-	2.107	-

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

The Parent Bank is not authorized to accept deposits.

2. Information on forward and option agreements and other similar agreements made with related parties

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Factors in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	364.732	-	-	-	131.758
End of the Period	206.586	-	-	-	-	-
Total Profit / Loss (1)	(23.857)	(19.695)	-	-	(915)	(139)
Hedging Risk Transactions		-				-
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(1) Includes information for 30 June 2019.

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

Benefits provided to key management personnel in the current period amount to TL 14.077 (30 June 2019: TL 12.321).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and notes related to subsequent events:

In the Board of Directors meeting of the Bank held on July 23, 2020, The Bank has decided to participate in the capital increase amounting to TL 200.000.000 (full amount) planned by TSKB GYO at the rate of its share in TSKB GYO because of the fact that the financing of borrowing debts by increasing the issued capital of the company will contribute positively to the activities and development of the Company

On July 9 2020, The Bank signed a syndicated loan agreement amounting to USD 150.000.000 full amount with participation of 12 banks from 12 different countries. The interest rate of the loan with 367 days maturity is Euribor / Libor + 1,75% annually and the renewal rate is 85%.

SECTION SIX

AUDITORS’ LIMITED REVIEW REPORT

I. Explanations on the auditors’ limited review report

The consolidated financial statements for the period ended 30 June 2020 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors’ Report dated 4 August 2020 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group’s operation.

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

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

Board of Directors

Name and Surname	Position	Term	Independent Member	Committees and Roles
Hakkı Ersin Özince	Chairman	2018-2021	No	-
Mahmut Magemizoğlu	Vice Chairman	2020-2021	Yes*	Chair of Audit Committee
Yavuz Canevi	Board Member	2018-2021	No	-
Mithat Rende	Board Member	2018-2021	Yes	Member of Sustainability Committee
Zeynep Hansu Uçar	Board Member	2018-2021	No	Member of Corporate Governance Committee, Member of Remuneration Committee, Member of Sustainability Committee
Ozan Uyar	Board Member	2020-2021	No	-
Ahmet Hakan Ünal	Board Member	2018-2021	No	Member of Credit Revision Committee
Abdi Serdar Üstünsalih	Board Member	2019-2021	No	-
Gamze Yalçın	Board Member	2019-2021	Yes*	Member of Audit Committee, Chair of Corporate Governance Committee, Chair of Remuneration Committee
Hüseyin Yalçın	Board Member	2018-2021	No	-

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

Changes in Board of Directors During The Period

Mr. Mehmet Şencan and Mr. Can Yücel, Board Members of TSKB, have resigned from their duty on 05.05.2020 with the decision of the Board of Directors numbered 2439. Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar has been elected as the Board Members with the same Board of Directors' decision.

The Resume of Mahmut Magemizoğlu and Ozan Uyar are as follows:

Mahmut Magemizoğlu

Mr. Magemizoğlu graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration and obtained his Master's degree in Investment Analysis from the University of Stirling in the UK.

Mr. Magemizoğlu started his professional career in 1982 at Türkiye İş Bankası as Assistant Inspector and held various managerial positions between 1992 and 1999. Mr. Magemizoğlu served as the Subsidiaries Division Head between 1999 and 2005, and worked as the Deputy Chief Executive of Türkiye İş Bankası between 2005 and 2016. After having acted as the Senior Deputy Chief Executive between 2016 and 2018, Magemizoğlu retired in September 2018.

To date, Mr. Magemizoğlu has served as chairman or board member on the board of directors of more than 20 companies. Mr. Magemizoğlu currently serves as the Senior Advisor to the CEO of Türkiye İş Bankası.

Mr. Magemizoğlu was appointed as Board Member of TSKB on 5 May 2020 and is serving as vice Chairman and the head of Audit Committee.

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

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

Ozan Uyar

Ozan Uyar was born in 1974 in Eskişehir and graduated from the Management Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1997. Mr. Uyar started his professional career at İşbank as Assistant Inspector on the Board of Inspectors in 1997 and he came to several management positions at Commercial Loans Underwriting Division since 2006.

Mr. Uyar was appointed as Head of Credit Portfolio Management Division in 2015 and Corporate Banking Marketing and Sales Division in 2017. Mr. Uyar has finally been positioned as Head of Corporate Loans Underwriting Division in January 2020.

Ozan Uyar has been elected as a member of the TSKB's Board of Directors in 5 May 2020.

Information on the Bank's Board Meetings

The Board of Directors issued 21 decisions in the period between 1 January 2020 – 30 June 2020. Board Members attended the meetings at a satisfactory level.

Senior Management and Directors

Name and Surname	Position
Ece Börü	Deputy CEO
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations
Hasan Hepkaya	Executive Vice President - Corporate Banking Marketing, Corporate Banking Sales, Project Finance, Corporate Communication
Ece Börü	Executive Vice President – Loan Allotment, Loan Monitoring, Loan Analysis, Financial Control, Budget and Planning
Hakan Aygen	Executive Vice President - Corporate Finance, Economic Research, Engineering and Technical Advisory, Financial Advisory, Business Development & Advisory Management Office
H. Yetkin Kesler	Executive Vice President - Human Resources, Enterprise Architecture and Process Management, Pension and Assistance Funds, Corporate Compliance
B. Gökhan Çanakpınar	Executive Vice President - Application Development, System Support and Operation, Building Management and Administrative Affairs,
A. Ferit Eraslan	Executive Vice President - Board of Internal Auditors, Internal Control, Risk Management

Changes in Senior Management and Directors

Mr. Suat İnce resigned from his post as Bank's Board Member and Chief Executive Officer due to retirement on 3 April 2020. TSKB's Executive Vice President Ms. Ece Börü has been appointed as Deputy Chief Executive Officer.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

ASSESSMENTS OF THE CHAIRMAN OF THE BOARD FOR THE PERIOD

Spreading across the entire world starting from March, the COVID-19 outbreak continues to occupy a large part of the agenda in terms of both the impact on public health and economic repercussions. While the outbreak-related developments and uncertainties weakened the global growth outlook significantly, they also resulted in the decline of the global risk appetite and fluctuation of international markets. Global incentive steps have been taken and expansionary fiscal and financial policies have been implemented in order to support loan conditions. Even though a partial revival has been observed together with the reopening of the economies in June, institutions such as the IMF, World Bank and OECD anticipate that recovery will take time. Thus, the global existing liquidity conditions and low interest environment are expected to continue for a while.

In line with the global outlook, the low-interest environment of Turkey is expected to continue in the same manner for a little longer. Continuing the interest discounts throughout the second quarter which involves numerous uncertainties, the Turkish Central Bank closely monitors the global impact caused by the pandemic on capital flows, financial conditions, foreign trade and commodity prices. Although our economy that started the year with a strong performance has experienced a significant shrinkage in the second quarter because of the outbreak, the industrial production volume of June and the purchasing managers index which reached levels that are even higher than the pre-COVID-19 era indicate a noticeable revival.

The banking sector continues to increasingly support our economy. The annual loan growth has reached 30% by the end of June. The loan growth is expected to continue at this accelerated pace for a while. The potential reclosing of the economies in the upcoming periods as a result of the new outbreak waves, the increasing costs driven by ensuring social distancing which cause a pressure on the current deficit and the geopolitical and global trade-related risks are some of the factors which can cause sensitivity in the current interest and foreign exchange levels. If these risks do not actually materialize, we expect the investment environment to start recovering in the second half and to fully recover in 2021.

Continuing its operations uninterruptedly also during the COVID-19 period, TSKB kept sharing its sustainable financial results with its stakeholders, maintaining its strong liquidity, capital reserves and balance sheet. Giving priority to standing together with its clients also during this period, it has paid attention to maintaining its long-term fiduciary relationships with its all other stakeholders. Together with the economic recovery and reviving investment environment, the Bank will continue to support its clients with its financing and consultancy products in line with its development mission.

Yours Sincerely,

Chairman of the Board

H. Ersin Özince

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

While the Coronavirus outbreak continues to be the most decisive agenda item for 2020, we first started feeling the impact of the Coronavirus outbreak, which we hope will soon be over, in the second quarter of 2020. Our Bank continued supporting the Turkish economy also during this period, gave priority to protecting the health of its employees and stakeholders and continued all its activities and remained fully operational. I would like to extend my gratitude to each of our Bank's employees who kept working with full motivation and a strong team spirit in order to continue supporting our economy.

We kept providing cash funds for financing the investments at full speed, which mainly include renewable energy loans, during the pandemic. On the other hand, we also supported our clients by extending them investment loans with a view to ensuring that the capacities of industries such as food, cleaning and hygiene can meet the demand and the companies can achieve product diversification in order to meet the requirements during the "new normal" era. We also tried to meet the working capital loan requirements in order to maintain the efficiency of production lines and ensure supply security. In line with our Development Banking mission, we tried to provide assistance to our clients whose cash flows were negatively affected to an extent during this period with the changes required in their repayment schedules taking into consideration their future operations in the upcoming period, and offered them event-specific solutions for their working capital requirements.

Our Bank continued making significant efforts also during the second quarter. We have completed the issuance of Turkey's first Sustainable Lease Certificate on behalf of Zorlu Energy at the beginning of June. Within the framework of the sustainable Lease Certificate (Sukuk) Issuance Program worth TL 450 million established for Zorlu Energy, we have successfully completed the first issuance worth TL 50 million. We will continue carrying out expert banking operations in order to meet the requirements of our clients by offering them pioneering and innovative products.

We have completed our syndicated loan, which is the indicator of our successful relationship and meaningful collaboration with our stakeholders, at the beginning of July. Our syndicated loan generated significant demand as the proof our strong financing capabilities. We have added another participant to the list of the participants of our syndicated loan agreement worth USD 150 million, which included 12 banks from 12 countries, and expanded our geographical distribution. We have renewed our loan by 85% in line with our requirements and sustainability principles, and thus maintained our strong liquidity position. I would like to thank all our participant institutions for their trust in TSKB and our country.

The financial results we achieved in the second quarter were consistent with our expectations. The total asset size of our bank increased by 13,7% in the first half, reaching TL 48 billion. Total loan portfolio increased by 11,8%, reaching TL 35,4 billion in the same period.

The profit before provisions and taxes we have derived in the first half stood at 1,175 million. Our net profit for the first half stood at TL 319 million. We have thus achieved an adjusted return on equity of 12,5% and a capital adequacy ratio of 20,2, completing the second quarter with a strong capital structure, which is always appreciated by our stakeholders.

As we start to leave behind the impact of the outbreak, we will make use of our capital components in the best manner possible, and continue to add value to our clients and country, focusing on our sustainable banking approach and sustainable development, which are included among the key components of the culture of TSKB.

Yours Sincerely,

Deputy General Manager

Ece Börü

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

ECONOMIC DEVELOPMENTS IN THE INTERIM PERIOD

Economic Developments in the First Half of 2020

Making a relatively positive start to 2020, the Turkish economy started to lose momentum in March as a result of the measures implemented to restrict the spread of the COVID-19 outbreak. While the seasonally and calendar adjusted GDP grew by 0,6% in the first quarter of 2020 compared to the previous period, the calendar adjusted GDP growth rate was recorded at 4,2%. The annual GDP growth has been recorded as 4,5% according to non-adjusted data. In line with these results, the annualized GDP in USD, which was recorded as USD 753,7 billion at the end of 2019, reached USD 758,1 billion in the first quarter of 2020.

The initial data indicate that after the significant shrinkage observed in the economic activities in April, the activities started to recover again in May and June with the impact of the normalization process. The industrial production activities, which shrank by 30,2% in April compared to the previous month, grew by 17,4% in May. Likewise, the retail sales and revenue index also started to recover gradually in May following the significant shrinkage observed in April. The revival of economic activities started to be felt more clearly as a result of the normalization process initiated in June. Hitting the bottom levels in April at 33,4, the manufacturing industry purchasing managers index (PMI) has reached the highest level of the last two and half years in June, standing at 53,9. While the sector confidence index points out to a slower recovery in the services and retail sectors, it also reveals a fast improvement in the construction and manufacturing industry. We believe that this is the result of the housing and vehicle loan campaigns initiated in June.

The consumer price inflation rate which continued to decline in April as a result of the impact of the decrease in the international commodity prices started rising again in May and June because of the negative impact of the normalization process. The annual general consumer prices index (CPI) inflation rate, which stood at 11,86% at the end of the first quarter of 2020 fell to 10,94% in April. However, this rate reached 11,39% and 12,62% in May and June, respectively. On the other hand, the producer price inflation rate follows a fluctuating course. The general annual PPI inflation rate, which stood at 8,5% in March, continued declining in April and May, reaching 5,53%. This rate increased to 6,17% in June. Despite the low prices and weak demand for crude oil, the negative impact caused by the normalization process on pricing and the developments in the foreign exchange rates continue to affect the inflation rate.

The disparity observed in the foreign trade balance as a result of the international demand being lower than domestic demand continued to be felt also in the second quarter. The data of TURKSTAT and the Ministry of Trade reveal that General Trade System-compliant exports shrank by 26,0% in April-June 2020 year-on-year, while imports increased by 16,3%. In line with these results, foreign trade deficit that was USD 7,9 billion in the second quarter of 2019 increased to USD 10,8 billion in the second quarter of 2020. While the exports shrank by 15,1% on an annual basis in the first half, the imports fell to 3,2%. Foreign trade deficit that was USD 13,8 billion in the first half of 2019 increased to USD 23,8 billion in the first half of 2020. In addition to this increase in foreign trade deficit, the current balance was also adversely affected by the standstill in the tourism sector. The current balance, which produced an excess of USD 603 million in April and May of 2019, produced a deficit of USD 8,9 billion in the same period of 2020. The current balance, which produced an excess of USD 187 million in the last year, produced a deficit of USD 16,7 billion in the first five months of the year.

The central government budget of the second quarter of 2020 reflects the repercussions of the measures aiming to restrict the impact of the outbreak. The budget revenues increased slightly by 8,1% in the second quarter of 2020 y-o-y., while the expenses increased by 23,1%. Thus, the budget deficit increased to TL 79,9 billion from 42,4 billion, and the non-interest deficit grew, reaching from TL 46,9 billion to TL 25,0 billion. According to these results, the budget deficit, which stood at TL 78,6 billion in the first half of the last year, increased to TL 109,5 billion, and the non-interest deficit grew, reaching from TL 27,8 billion to TL 38,2 billion.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

ECONOMIC DEVELOPMENTS IN THE INTERIM PERIOD (Continued)

Taking liquidity measures in March in addition to reducing the interest rates with the aim of restricting the impact of the outbreak, the Turkish Central Bank continued these measures also in the second quarter, albeit at a slow pace. Following the discount of 100 base points in April, the Turkish Central Bank made another discount of 50 base points in May. However, considering the risks to the inflation outlook, the Turkish Central Bank gave a break to the discounts. The maximum limit for the ratio of the Open Market Operations ("OMO") portfolio nominal size to the analytical balance sheet total assets was increased to 10% from 5%. On the other hand, market-maker banks were given a limit for government debt securities sales in the same amount of the repo transactions limits. In addition, the Turkish Central Bank decided that the requirement for the annual real loan growth rate to be lower than 15%, which must be met by the banks in order to benefit from minimum reserve incentives, not be implemented temporarily until the end of the year. Finally, the Turkish Central Bank decided that advance loans against investment commitment be extended in the amount of total TL 20 billion via development and investment banks with a view to supporting the critical investments in selected industries.

Markets

In the second quarter of 2020, the financial markets were guided by the course of the outbreak and the macroeconomic data disclosed globally. While central banks of developed economies maintained their supportive approach, the data disclosed as a result of the normalization steps indicate a revival of the global economy in May and June. However, the new case numbers of the COVID-19 outbreak continue to rise all over the world, increasing the demand for safe harbors. While the uncertainties related to the course of the outbreak are still significant, international institutions, which mainly include the International Monetary Fund (IMF), downgrade their global growth expectations. The IMF revised its expected 2020 restriction rate, which was 3% in April, decreasing it to 4,9%, and downgraded its 2021 growth rate expectation from 5,8% to 5,4%, stating that it expects a slower recovery.

The financial markets underwent a recovery driven by the global monetary and financial policy measures taken in the second quarter of 2020. In parallel to the global trends observed in the second quarter, BIST100 and BIST30 indices increased by 30,0% and 26,2%, respectively in this environment. The banking sector index experienced a decrease of 13,5% in the same period. While the increase in the foreign exchange rates lost momentum, the USD/TL exchange rate and the Euro/TL exchange rate increased moderately by 3,6% and 5,5%, respectively, compared to the end of the first quarter. The compound interest rate of the 2-year benchmark bond followed a fluctuating course in the second quarter in general, staying within the 8,1%-12,7% range.

Banking Sector

With the total FX-adjusted loans on a currency-basket basis growing by 5,1% in the first quarter of 2020 and by 9,9% in the second quarter of the year as of 26 June 2020, the increase recorded in the first half of 2020 stood at 15,9%. While the loans in TL increased by 17% and 28% in the second quarter and the first half, respectively, the FX loans decreased in the second quarter as in the first quarter, and decreased by 2,9% in the first half of 2020. Corporate loans and personal loans were responsible for the 76% and 24% of the increase in TL loans, respectively. As the TL corporate loans grew by 33,7%, the FX corporate loans decreased by 2,1%, and the personal loans grew by 19,2% with the impact of the 30,9% increase in general-purpose loans and the 16,2% increase in housing loans. While the annual increase rate of total gross loans of the industry including non-performing loans stood at 8,5% at the end of 2019, this rate increased to 21,3% as of 26 June 2020.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

The deposits, which constitute the main financing resource of the industry, have grown by 10,5% in total in the first half of 2020 with an increase of 20,2% in TL deposits and an increase of 1,2% in FX-adjusted deposits on a currency-basket basis. 94% of the deposit increase is due to the TL deposits, whereas personal deposits, TL commercial deposits and TL deposits of public agencies and other institutions increased by 15,3%, 31% and 25,2%, respectively, which were altogether responsible for 44% of the TL deposit increase in the first half.

While the TL loan/deposit ratio of the sector increased from 137% to 143% in 2020, the increase in this rate is restricted to 2 points with the FX resources and investments included, and the loan/deposit ratio stands at 108% as of the end of the first half.

GENERAL ASSEMBLY DECISIONS

The Bank's Ordinary General Assembly Meeting was held at the Headquarters on 26 March 2020.

The General Assembly Decisions were disclosed to the shareholders in the Annual Report for the Interim Period of 1 January and 31 March 2019 and on the Bank's website and the Public Disclosure Platform.

HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

TSKB has completed the issuance of Turkey's first Sustainable Lease Certificate on 5 June 2020. Within the framework of the sustainable Lease Certificate (Sukuk) Issuance Program worth TL 450 million established on behalf of Zorlu Energy, TSKB has completed the first issuance worth TL 50 million.

On 25 June 2020, the Bank signed the "Declaration to Ensure Reliable Investment Environment" of the Integrated Reporting Turkey, which includes the bank as one of the members of its executive council. This declaration highlights that the non-financial performance of institutions is at least as important as their financial performance.

On 9 July 2020, TSKB obtained a syndicated loan worth USD 150 million with the participation of total 12 banks from 12 countries. The interest rate of the loan with a term of 367 days stood at annual Euribor / Libor + 1,75%, while its renewal rate was recorded as 85%.

Developments Regarding the Bank's Corporate Governance Operations

The Bank's "Corporate Governance Compliance Report" and "Corporate Governance Information Forms" were published on the Public Disclosure Form on 2 March 2020. These reports are available at https://www.kap.org.tr/en/Bildirim/823664 and https://www.kap.org.tr/en/Bildirim/823667.

FINANCIAL DEVELOPMENTS IN THE INTERIM PERIOD

The summary of the Bank's consolidated key financial indicators as of 30 June 2020 is as follows:

While the total asset size increased by 14,4% year-on-year, it increased by 13,7% compared to the end of 2019, reaching TL 48 billion.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

The total loan portfolio reached TL 35,4 billion as of the end of June with an increase of 16,1% year-on-year and 11,8% compared to the year-end. The share of the loans in assets was 73,7%. The share of non-performing loans in total loans was 3,4% as of the end of June.

While shareholder's equity increased by 20% year-on-year, it decreased by 6,8% compared to the end of 2019, reaching TL 5,5 billion. The capital adequacy ratio recorded as 17,4% at the end of 2019 fell to %20,2 by the end of June.

Net interest income fell by 8,3% in the first half of 2020 reaching TL 923,2 million, whereas fee and commission income increased by 112,1%, reaching TL 58,6 million. The income-expense ratio, which was recorded as 13,1% in 2019, increased to 15,2% in the first half of 2020.

Net profit fell by 16,7% in the first half year-on-year, reaching TL 319,0 million.

The Return on Tangible Equity, which was recorded as 16,7% in 2019, fell to 12,5% in the first half of 2020.

The return on assets, which was recorded as 1,8% at the end of 2019, fell to 1,4% in the first half of 2020.

RISK MANAGEMENT

TSKB Risk Management Policies and implementation principles governing these policies comprise the written standards defined by the Board of Directors and enforced by the Bank's senior management.

In line with TSKB's Risk Management Policies, the main risks exposed by the Bank have been identified as credit risks, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department has been established within the Bank to ensure compliance with said risk policies and the codes of practice pertaining thereto, and manage the risks the Bank is exposed to in accordance with these policies.

TSKB Risk Management Department actively participates in all processes related to the management of risks, and regularly reports to the Board of Directors, Audit Committee, senior management, and the relevant departments of the Bank. The roles, responsibilities and structure of the Department have been set forth in the Regulation on Risk Management Department.

OTHER INFORMATION

Explanations related to the developments that had a significant impact on the banking activities in the relevant period are provided above. Please see our 2019 annual integrated report available at the following address for further details:

http://www.tskb.com.tr/en/investor-relations/financial-information?year=2019