

Türkiye Sınai Kalkınma Bankası Anonim Şirketi

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

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



**Building a better
working world**

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

INTERIM REVIEW REPORT

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 7 of the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated 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 unconsolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. at 30 June 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 unconsolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

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

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



4 August 2020
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

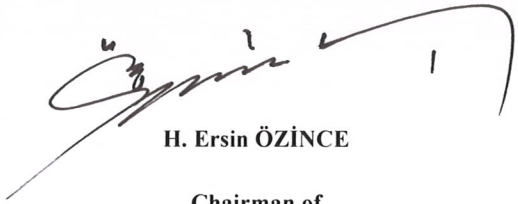
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The unconsolidated financial report for the six months includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation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

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

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

4 August 2020



H. Ersin ÖZİNCE

**Chairman of
Board of Directors**



Ece BÖRÜ

**Deputy Chief Executive Officer
Executive Vice President
In Charge of Financial Reporting**



Tolga SERT

**Head of Financial
Control Department**



Gamze YALÇIN

Member of Audit Committee



Mahmut MAGEMİZOĞLU

Member of Audit Committee

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,94% 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)
GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (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 Development
A.Ferit Eraslan	Executive Vice President – Head of Board of Internal Auditors, Internal Control, Risk Management

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

(2) The Member of the Board of Directors 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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 Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Bank also continues to offer solutions with respect to the newest needs and client demands.

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

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

İş Finansal Kiralama A.Ş. :

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

İş Faktoring A.Ş. :

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2020

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

ASSETS	Section 5 Note I	Reviewed Current Period 30 June 2020			Restated Audited Prior Period 31 December 2019 (*)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		4.171.699	4.385.395	8.557.094	3.366.651	3.430.212	6.796.863
1.1 Cash and Cash Equivalents		1.477.279	959.267	2.436.546	526.395	880.910	1.407.305
1.1.1 Cash and Balances with Central Bank	(1)	1.587	215.683	217.270	509	803.528	804.037
1.1.2 Banks	(3)	116.091	743.757	859.848	288	77.844	78.132
1.1.3 Money Market Placements		1.360.026	-	1.360.026	525.628	-	525.628
1.1.4 Expected Credit Losses (-)		425	173	598	30	462	492
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	-	263.097	263.097	-	263.097	263.097
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	263.097	263.097	-	263.097	263.097
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.140.212	2.334.270	4.474.482	2.187.024	1.977.139	4.164.163
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		42.546	63.043	105.589	40.653	53.806	94.459
1.3.3 Other Financial Assets		155.232	-	155.232	145.080	1.190	146.270
1.4 Derivative Financial Assets	(2)	554.208	828.761	1.382.969	653.232	309.066	962.298
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		554.208	828.761	1.382.969	653.232	309.066	962.298
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		7.426.758	29.220.658	36.647.416	6.542.075	26.586.973	33.129.048
2.1 Loans	(5)	5.261.788	29.609.591	34.871.379	4.529.117	26.766.177	31.295.294
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 (-)		341.571	910.386	1.251.957	272.936	607.344	880.280
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		892.644	-	892.644	866.767	-	866.767
4.1 Investments in Associates (Net)	(7)	498.869	-	498.869	466.895	-	466.895
4.1.1 Accounted Under Equity Method		498.869	-	498.869	466.895	-	466.895
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(8)	393.775	-	393.775	399.872	-	399.872
4.2.1 Unconsolidated Financial Subsidiaries		369.694	-	369.694	378.504	-	378.504
4.2.2 Unconsolidated Non-Financial Subsidiaries		24.081	-	24.081	21.368	-	21.368
4.3 Entities under Common Control (Joint Venture) (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(12)	88.572	-	88.572	91.224	-	91.224
VI. INTANGIBLE ASSETS (Net)	(13)	3.202	-	3.202	3.029	-	3.029
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		3.202	-	3.202	3.029	-	3.029
VII. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(15)	142.328	-	142.328	38.528	-	38.528
X. OTHER ASSETS (Net)	(17)	171.807	262.686	434.493	110.332	400.151	510.483
TOTAL ASSETS		12.961.413	33.868.739	46.830.152	11.083.009	30.417.336	41.500.345

(*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED 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			Restated 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)	385.822	28.962.853	29.348.675	615.530	25.731.401	26.346.931
III.	MONEY MARKET BALANCES		492.891	253.307	746.198	369.384	662.172	1.031.556
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	7.529.034	7.529.034	-	6.023.450	6.023.450
4.1	Bills		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
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	276.933	207.410	484.343
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		203.044	387.985	591.029	276.933	207.410	484.343
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	34.087	-	34.087	34.278	-	34.278
X.	PROVISIONS	(7)	241.710	25.747	267.457	237.349	22.070	259.419
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		17.138	-	17.138	14.724	-	14.724
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		224.572	25.747	250.319	222.625	22.070	244.695
XI.	CURRENT TAX LIABILITY	(8)	211.003	-	211.003	77.425	-	77.425
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		134.307	258.874	393.181	127.560	59.245	186.805
XVI.	SHAREHOLDERS' EQUITY		5.551.469	(43.075)	5.508.394	5.170.500	(3.357)	5.167.143
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		374	-	374	374	-	374
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		374	-	374	374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		85.100	812	85.912	74.300	(147)	74.153
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		121.066	(43.887)	77.179	75.400	(3.210)	72.190
16.5	Profit Reserves		2.222.905	-	2.222.905	1.444.342	-	1.444.342
16.5.1	Legal Reserves		338.153	-	338.153	303.070	-	303.070
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		1.806.191	-	1.806.191	1.062.711	-	1.062.711
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		322.024	-	322.024	776.084	-	776.084
16.6.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		322.024	-	322.024	776.084	-	776.084
TOTAL LIABILITIES AND EQUITY			7.259.753	39.570.399	46.830.152	6.911.453	34.588.892	41.500.345

(*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED 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		
Section 5							
OFF BALANCE SHEET		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		7.925.905	64.194.784	72.120.689	7.646.516	56.481.115	64.127.631
I. GUARANTEES AND COLLATERALS	(1)	490.451	4.418.458	4.908.909	450.736	4.096.982	4.547.718
1.1 Letters of Guarantee		490.451	1.428.188	1.918.639	450.736	1.368.294	1.819.030
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		490.451	1.428.188	1.918.639	450.736	1.368.294	1.819.030
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 Documentary 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 Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	549.120	5.076.841	5.625.961	450.117	3.181.266	3.631.383
2.1 Irrevocable Commitments		46.342	1.061.878	1.108.220	104.408	336.269	440.677
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		39.927	261.051	300.978	99.902	222.589	322.491
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)	6.886.334	54.699.485	61.585.819	6.745.663	49.202.867	55.948.530
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		6.886.334	36.409.739	43.296.073	6.745.663	32.682.437	39.428.100
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	3.142.346	29.122.244	32.264.590
3.2.2.1 Foreign Currency Swap-Buy		313.480	7.570.488	7.883.968	523.843	6.474.510	6.998.353
3.2.2.2 Foreign Currency Swap-Sell		4.196.594	3.305.828	7.502.422	2.618.503	3.950.480	6.568.983
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		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		83.912.368	588.366.252	672.278.620	73.293.060	466.201.948	539.495.008
IV. ITEMS HELD IN CUSTODY		481.843	124.307	606.150	649.217	632.325	1.281.542
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		22.754	124.307	147.061	55.046	632.325	687.371
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		62.132.696	330.535.775	392.668.471	52.954.751	254.620.387	307.575.138
5.1 Marketable Securities		456.248	29.789.899	30.246.147	471.248	13.784.545	14.255.793
5.2 Guarantee Notes		57.653	1.755.276	1.812.929	95.146	3.691.401	3.786.547
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		4.816.476	78.701.290	83.517.766	3.805.563	63.849.083	67.654.646
5.6 Other Pledged Items		56.802.319	220.289.310	277.091.629	48.582.794	173.295.358	221.878.152
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)		91.838.273	652.561.036	744.399.309	80.939.576	522.683.063	603.622.639

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020

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

STATEMENT OF PROFIT OR LOSS		Reviewed Current Period 1 January 2020- 30 June 2020	Restated Prior Period 1 January 2019- 30 June 2019 (*)	Restated Current Period 1 April 2020- 30 June 2020 (*)	Restated Prior Period 1 April 2019- 30 June 2019 (*)
Section 5 Note IV					
I. INTEREST INCOME	(1)	1.557.319	1.768.717	780.465	902.583
1.1 Interest on Loans		1.138.762	1.183.055	579.063	627.299
1.2 Interest Received from Reserve Deposits		-	5.357	-	3.132
1.3 Interest Received from Banks		12.139	27.546	5.264	16.635
1.4 Interest Received from Money Market Placements		26.554	197.595	12.394	84.381
1.5 Interest Received from Marketable Securities Portfolio		372.763	347.502	180.208	168.482
1.5.1 Fair Value through Profit or Loss		5	3	-	3
1.5.2 Fair Value Through other Comprehensive Income		222.244	219.740	110.187	112.427
1.5.3 Measured at Amortized Cost		150.514	127.759	70.021	56.052
1.6 Finance Lease Interest Income		4.346	3.377	2.262	1.612
1.7 Other Interest Income		2.755	4.285	1.274	1.042
II. INTEREST EXPENSES (-)	(2)	641.094	744.839	312.387	389.301
2.1 Interest on Deposits		-	-	-	-
2.2 Interest on Funds Borrowed		304.736	342.549	146.861	179.439
2.3 Interest on Money Market Borrowings		8.636	103.231	5.135	55.799
2.4 Interest on Securities Issued		322.394	292.078	157.975	150.666
2.5 Leasing Interest Expense		4.524	4.869	2.188	2.399
2.6 Other Interest Expenses		804	2.112	228	998
III. NET INTEREST INCOME (I - II)		916.225	1.023.878	468.078	513.282
IV. NET FEES AND COMMISSIONS INCOME / EXPENSES		29.622	12.989	8.073	5.239
4.1 Fees and Commissions Received		33.337	16.624	10.138	7.557
4.1.1 Non-cash Loans		20.267	11.614	6.664	5.891
4.1.2 Other		13.070	5.010	3.474	1.666
4.2 Fees and Commissions Paid (-)		3.715	3.635	2.065	2.318
4.2.1 Non-cash Loans		714	550	287	298
4.2.2 Other		3.001	3.085	1.778	2.020
V. DIVIDEND INCOME	(3)	4.392	4.035	118	1.219
VI. NET TRADING INCOME	(4)	24.665	(229.108)	16.679	(140.721)
6.1 Securities Trading Gains / (Losses)		1.422	451	865	210
6.2 Derivative Financial Instruments Gains / Losses		123.076	(224.072)	(32.746)	(286.019)
6.3 Foreign Exchange Gains / Losses (Net)		(99.833)	(5.487)	48.560	145.088
VII. OTHER OPERATING INCOME	(5)	2.004	26.890	961	5.058
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)		976.908	838.684	493.909	384.077
IX. EXPECTED CREDIT LOSS (-)	(6)	452.447	234.831	229.105	84.821
X. OTHER PROVISION EXPENSES (-)	(6)	-	20.000	-	-
XI. PERSONNEL EXPENSES (-)		69.046	63.452	35.472	32.844
XII. OTHER OPERATING EXPENSES	(7)	40.373	35.840	16.593	16.930
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		415.042	484.561	212.739	249.482
XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XV. PROFIT / (LOSS) ON EQUITY METHOD		1.357	8.609	4.803	20.323
XVI. GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		416.399	493.170	217.542	269.805
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	94.375	107.547	49.254	54.649
18.1 Provision for Current Income Taxes		193.847	134.541	193.847	91.309
18.2 Deferred Tax Income Effect (+)		200.020	133.326	34.083	42.240
18.3 Deferred Tax Expense Effect (-)		299.492	160.320	178.676	78.900
XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	322.024	385.623	168.288	215.156
XX. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income on Assets Held for Sale		-	-	-	-
20.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
20.3 Income on Other Discontinued Operations		-	-	-	-
XXI. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Loss from Assets Held for Sale		-	-	-	-
21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
21.3 Loss from Other Discontinued Operations		-	-	-	-
XXII. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Provision for Current Income Taxes		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(10)	322.024	385.623	168.288	215.156
Earning / (loss) per share		0,115	0,138	0,060	0,077

(*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020**(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Current Period 1 January 2020 – 30 June 2020	Restated Reviewed Prior Period 1 January 2019 – 30 June 2019 (*)
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. CURRENT PERIOD INCOME / LOSS	322.024	385.623
II. OTHER COMPREHENSIVE INCOME	16.748	44.903
2.1 Not Reclassified Through Profit or Loss	11.759	(3.725)
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	11.759	(3.725)
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Reclassified Through Profit or Loss	4.989	48.628
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	(19.499)	55.242
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	11.881	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	4.328	(10.720)
III. TOTAL COMPREHENSIVE INCOME (I+II)	338.772	430.526

(*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED 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																			
Restated (*)																																					
Prior Period – 30 June 2019																																					
I.	Prior Period End Balance		2.800.000	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	696.585	-	4.719.004	-	4.719.004																			
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	(785.414)	-	-	6.791	178.103	50.963	-	(549.557)	-	(549.557)																				
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	(785.414)	-	-	6.791	178.103	50.963	-	(549.557)	-	(549.557)																				
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	40.908	(349)	23.737	15.704	(162.060)	6.791	696.794	747.548	-	4.169.447	-	4.169.447																			
IV.	Total Comprehensive Income		-	-	-	-	-	(3.725)	4.106	44.522	-	-	-	385.623	430.526	-	430.526																				
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		-	-	-	-	-	-	-	-	-	50.963	(50.963)	-	-	-	-	-																			
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-	-																			
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-	-																			
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	40.908	(349)	20.012	19.810	(117.538)	6.791	1.444.342	-	385.623	4.599.973	-	4.599.973																			

(*) The restatement for the previous period is for the Bank's application of TAS 27 and explained in Section 3, Note XXIII.

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency Transition Differences

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 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	-	-	374	40.908	(1.082)	34.327	20.714	28.008	23.468	1.444.342	776.084	-	5.167.143	-	5.167.143
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	40.908	(1.082)	34.327	20.714	28.008	23.468	1.444.342	776.084	-	5.167.143	-	5.167.143
IV.	Total Comprehensive Income		-	-	-	-	-	-	11.759	8.279	(15.171)	11.881	-	-	322.024	338.772	-	338.772
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		-	-	-	-	-	-	-	-	-	-	76.918	(74.439)	-	2.479	-	2.479
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	701.645	(701.645)	-	-	-	-
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	701.645	(701.645)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	40.908	(1.082)	46.086	28.993	12.837	35.349	2.222.905	-	322.024	5.508.394	-	5.508.394

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency Translation Differences

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2020
(Amounts are 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		1.250.581	723.761
1.1.1 Interest Received		1.387.931	1.561.756
1.1.2 Interest Paid		(535.568)	(745.971)
1.1.3 Dividends Received		7.433	7.076
1.1.4 Fees and Commissions Received		33.337	16.624
1.1.5 Other Income		3.111	2.431
1.1.6 Collections from Previously Written off Loans		28.451	33.511
1.1.7 Payments to Personnel and Service Suppliers		(83.120)	(74.643)
1.1.8 Taxes Paid		(63.079)	(128.684)
1.1.9 Others		472.085	51.661
1.2 Changes in Operating Assets and Liabilities		536.529	123.449
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		714.577	1.063.261
1.2.4 Net (Increase) (Decrease) in Other Assets		665.553	(174.327)
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		(861.596)	(753.314)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		17.995	(12.171)
I. Net Cash Provided by / (used in) Banking Operations		1.787.110	847.210
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by / (used in) Investing Activities		(135.485)	(38.936)
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		(716)	(2.855)
2.4 Disposals of Property and Equipment		88	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	352.398
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		(1.191)	(625)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by / (used in) Financing Activities		(84.498)	(7.974)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2.345.479	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.420.808)	-
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Leases		(9.169)	(7.974)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		55.577	10.426
V. Net Increase / (Decrease) in Cash and Cash Equivalents		1.622.704	810.726
VI. Cash and Cash Equivalents at Beginning of the Period		599.585	1.202.110
VII. Cash and Cash Equivalents at End of the Period		2.222.289	2.012.836

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

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

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

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

Additional paragraph for convenience translation to English

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

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

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

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

Due to COVID-19, the Bank allowed loan customers to translate their principal, interest and installments under current conditions if they demand and began to apply the translations within this context.

As it is intended to update the financial information contained in the latest annual financial statements in the interim financial statements prepared as of 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 VIII "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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 forward and option contracts and derivative instruments

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

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition.

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2020

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IV. Explanations on associates and subsidiaries

In the unconsolidated financial statements, Financial subsidiaries and Investments in associates are recognized equity method within the scope of Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements”

In accordance with Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” in the equity method, the book value of investment in associates and subsidiaries is reflected in the financial statements in proportion to the Bank's share of the net assets of these investments. The portion of the profit or loss of investment in associates and subsidiaries that are included in the Bank's share is accounted in the income statement of the Bank. The portion of the other comprehensive income that falls on the Bank's share is accounted in the other comprehensive income statement of the Bank.

V. Explanations on interest income and expenses

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

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

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

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

VI. Explanations on fees and commission income and expenses

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

Assessment of business model

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

Other business models:

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

Measurement categories of financial assets and liabilities

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on September 23, 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 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. 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 will be initiated.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

d. Loans

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

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

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

VIII. Explanations on impairment of financial assets

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

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

Calculation of expected credit losses

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

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

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

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

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

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

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

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

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

Stage 1:

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

Stage 2:

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Stage 3:

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

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

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

Debt instruments measured at fair value through other comprehensive income

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

Significant increase in credit risk

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Significant increase in credit risk

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

- Loans overdue more than 30 days as of the reporting date
 - Loans classified as watchlist
 - When there is a change in the payment plan due to restructuring
- Based on the decision of BRSA 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 be 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 assessment 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)

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

a. Offsetting of financial instruments

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

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

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

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

c. Reclassification of financial instruments

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

d. Restructuring and refinancing of financial instruments

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

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

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

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).

- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

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

- 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.

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

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts. The repurchase agreements of the Bank are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

X. Explanations on sales and repurchase agreements and lending of securities (continued)

The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements” account in the balance sheet.

XI. Explanations on assets held for sale and discontinued operations

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

Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group). As of 30 June 2020, there are assets held for sale and discontinued operations amounting to TL 64.403 and explained in Section V, Note I-16.

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

XII. Explanations on goodwill and other intangible assets

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets (continued)

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

XIII. Explanations on tangible assets

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

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

TFRS 16 Leases

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018 starting from 1 January 2019. The mentioned standard has a transition effect amounting to TL 40.824 in "tangible assets" and "lease liability" in the Bank's financial statements. As of 30 June 2020 The Bank recognized right of use asset classified under tangible assets amounting to TL 29.173, lease liability amounting to TL 34.087 and amortization expenses amounting to TL 5.852 TL, lease interest expenses amounting to TL 4.524.

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions (continued)

The cost of right-of-use assets includes:

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

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

Lease Liabilities

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

The lease payments include

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions (continued)

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

XV. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

In accordance with the Health and Safety Law numbered 6645 which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2019 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2020. There is no need for technical or actual deficit to book provision as of 31 December 2019. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

XVII. Explanations on taxation

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 22% is used in the calculation of the corporate tax (31 December 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.

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

Transfer pricing

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

XVIII. Additional explanations on borrowings

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

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

XIX. Explanations on share certificates issued

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

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

XX. Explanations on acceptances

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

XXI. Explanations on government incentives

The Bank does not use government incentives.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting

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

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	481.606	434.619	-	916.225
Net Fees and Commission Income	20.246	9.376	-	29.622
Other Income	-	24.665	7.753	32.418
Other Expense	(443.681)	(6.250)	(87.270)	(561.866)
Profit Before Tax	58.171	437.745	(79.517)	416.399
Tax Provision				(94.375)
Net Profit				322.024
Current Period				
Segment Assets	34.066.506	10.653.863	1.217.139	45.937.508
Investment in Associates and Subsidiaries	-	-	892.644	892.644
Total Assets	34.066.506	10.653.863	2.109.783	46.830.152
Segment Liabilities	39.030.464	746.198	1.545.096	41.321.758
Shareholders' Equity	-	-	5.508.394	5.508.394
Total Liabilities	39.030.464	746.198	7.053.490	46.830.152

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	344.657	679.221	-	1.023.878
Net Fees and Commission Income	11.172	1.817	-	12.989
Other Income	3.466	-	36.068	39.534
Other Expense	(245.099)	(243.050)	(95.082)	(583.231)
Profit Before Tax	114.196	437.988	(59.014)	493.170
Tax Provision				(107.547)
Net Profit				385.623
Prior Period				
Segment Assets	30.810.345	8.953.223	870.010	40.633.578
Investment in Associates and Subsidiaries	-	-	866.767	866.767
Total Assets	30.810.345	8.953.223	1.736.777	41.500.345
Segment Liabilities	34.200.426	1.031.556	1.101.220	36.333.202
Shareholders' Equity	-	-	5.167.143	5.167.143
Total Liabilities	34.200.426	1.031.556	6.268.363	41.500.345

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on other matters

1. Changes Related to Previous Period Financial Statements

Effects of the change of TAS 27

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

In the current period, the Bank has started to account for its all subsidiaries and Investments in associates in accordance with the equity method defined in TAS 28, as detailed in Section 3, Note IV.

Subsidiaries and Investments in associates are accounted in accordance with TFRS 9 in the unconsolidated financial statements before the related accounting policy change. According to TFRS 9, Subsidiaries that are traded in the organized markets and whose fair value can be determined reliably reflected in the financial statements with their fair values. Subsidiaries and Investment in Associates that are not traded in the organized markets and whose fair value cannot be determined reliably were reflected in the financial statements with their cost values after deducting the provision for impairment.

Due to the accounting policy change, the financial statements of the previous year have been restated within the framework of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Standard.

The effect of TAS 27 correction records on the previous year's financial statements is as follows:

31 December 2019	Previously Reported	Adjustment Effect	Restated
Investment in associates (Net)	914.046	(447.151)	
Accounted Under on Equity Method	-	466.895	466.895
Unconsolidated Associates	914.046	(914.046)	-
Subsidiaries (Net)	452.474	(52.602)	399.872
Unconsolidated Financial Subsidiaries	448.295	(69.791)	378.504
Unconsolidated Non-Financial Subsidiaries	4.179	17.189	21.368
TOTAL ASSETS	42.000.098	(499.753)	41.500.345
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	900.879	(826.726)	74.153
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	48.722	23.468	72.190
Extraordinary Reserves	833.645	229.066	1.062.711
Current Year Profit/Loss	701.645	74.439	776.084
TOTAL LIABILITIES	42.000.098	(499.753)	41.500.345
Dividend Income	7.123	(4.041)	3.082
Profit / (Loss) on Equity Method	-	78.480	78.480
Current Year Profit/Loss	701.645	74.439	776.084

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on other matters (continued)

1. Changes Related to Previous Period Financial Statements (continued)

Effects of the change of TAS 27 (continued)

31 March 2020	Previously Reported	Adjustment Effect	Restated
Investment in associates (Net)	695.694	(223.147)	472.547
Accounted Under on Equity Method	-	472.547	472.547
Unconsolidated Associates	695.694	(695.694)	-
Subsidiaries (Net)	493.378	(97.272)	396.106
Unconsolidated Financial Subsidiaries	489.199	(116.159)	373.040
Unconsolidated Non-Financial Subsidiaries	4.179	18.887	23.066
TOTAL ASSETS	47.207.863	(320.419)	46.887.444
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	713.270	(640.750)	72.520
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(120.993)	20.884	(100.109)
Extraordinary Reserves	1.500.207	305.936	1.806.143
Current Year Profit/Loss	160.223	(6.487)	153.736
TOTAL LIABILITIES	47.207.863	(320.417)	46.887.446
Dividend Income	7.315	(3.041)	4.274
Profit / (Loss) on Equity Method	-	(3.446)	(3.446)
Current Year Profit/Loss	160.223	(6.487)	153.736

31 March 2019	Previously Reported	Adjustment Effect	Restated
Investment in associates (Net)	1.512.166	(1.087.179)	424.987
Accounted Under on Equity Method	-	424.987	424.987
Unconsolidated Associates	1.512.166	(1.512.166)	-
Subsidiaries (Net)	281.383	52.732	334.115
Unconsolidated Financial Subsidiaries	277.604	36.919	314.523
Unconsolidated Non-Financial Subsidiaries	3.779	15.813	19.592
TOTAL ASSETS	41.591.492	(1.034.447)	40.557.045
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	1.315.563	(1.256.877)	58.686
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(193.642)	8.119	(185.523)
Extraordinary Reserves	833.645	229.066	1.062.711
Current Year Profit/Loss	185.222	(14.755)	170.467
TOTAL LIABILITIES	41.591.492	(1.034.447)	40.557.045
Dividend Income	5.857	(3.041)	2.816
Profit / (Loss) on Equity Method	-	(11.714)	(11.714)
Current Year Profit/Loss	185.222	(14.755)	170.467

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on other matters (continued)

1. Changes Related to Previous Period Financial Statements (continued)

Effects of the change of TAS 27 (continued)

30 June 2019	Previously Reported	Adjustment Effect	Restated
Investment in associates (Net)	701.911	(249.857)	452.054
Accounted Under on Equity Method	-	452.054	452.054
Unconsolidated Associates	701.911	(701.911)	-
Subsidiaries (Net)	277.796	54.303	332.099
Unconsolidated Financial Subsidiaries	274.017	37.267	311.284
Unconsolidated Non-Financial Subsidiaries	3.779	17.036	20.815
TOTAL ASSETS	41.630.606	(195.554)	41.435.052
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	503.209	(442.638)	60.571
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(103.387)	12.450	(90.937)
Extraordinary Reserves	833.645	229.066	1.062.711
Current Year Profit/Loss	380.055	5.568	385.623
TOTAL LIABILITIES	41.630.606	195.554	41.435.052
Dividend Income	7.076	(3.041)	4.035
Profit / (Loss) on Equity Method	-	8.609	8.609
Current Year Profit/Loss	380.055	5.568	385.623

31 December 2018	Previously Reported	Adjustment Effect	Restated
Investment in associates (Net)	1.017.509	(587.290)	430.219
Accounted Under on Equity Method	-	430.219	430.219
Unconsolidated Associates	1.017.509	(1.017.509)	-
Subsidiaries (Net)	304.957	37.733	342.690
Unconsolidated Financial Subsidiaries	301.178	22.512	323.690
Unconsolidated Non-Financial Subsidiaries	3.779	15.221	19.000
TOTAL ASSETS	38.298.111	(549.557)	37.748.554
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	849.710	(785.414)	64.296
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(146.356)	6.791	(139.565)
Extraordinary Reserves	170.106	178.103	348.209
Current Year Profit/Loss	660.926	50.963	711.889
TOTAL LIABILITIES	38.298.111	(549.557)	37.748.554
Dividend Income	4.011	-	4.011
Profit / (Loss) on Equity Method	-	50.963	50.963
Current Year Profit/Loss	660.926	50.963	711.889

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to shareholders' equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of 30 June 2020, the capital adequacy ratio of Bank has been calculated as 20,35% (31 December 2019: 17,79%).

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 year-end exchange rates in calculating of the amount of subject to credit risk while calculation on amounts valued in accordance with TAS and the related specific provision except of monetary and non-monetary items in foreign currency measured in terms of the historical cost in accordance with Regulation on Measurement and Assessment of Capital Adequacy of and if the net valuation differences of the securities owned by the banks 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 it was decided to apply 0% risk weight in the calculation of amount subject to credit risk of the banks receivables from Central Management of Republic of Turkey and issued in FX in accordance with Standard Approach within the scope of Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

	Current Period	Prior Period (1)
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	2.222.905	1.215.276
Other comprehensive income according to TAS	249.228	1.018.786
Profit	322.024	701.645
Current Period Profit	322.024	701.645
Prior Period Profit	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Core Equity Tier 1 Capital Before Deductions	5.594.531	5.736.081
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	86.137	69.185
Leasehold improvements on operational leases	1.629	2.202
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.202	3.029
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	367.333
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier 1 Capital	90.968	441.749
Core Equity Tier I Capital	5.503.563	5.294.332
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	5.503.563	5.294.332
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)	444.776	498.713
Tier II Capital Before Deductions	2.488.076	2.273.513
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2.488.076	2.273.513
Total Capital (The sum of Tier I Capital and Tier II Capital)	7.991.639	7.567.845
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	7.991.639	7.567.845
Total Risk Weighted Assets	39.273.451	42.536.184
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	14,01	12,45
Tier I Capital Adequacy Ratio (%)	14,01	12,45
Capital Adequacy Ratio (%)	20,35	17,79
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	8,01	6,45
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	525.284	566.166
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	832.514	552.284
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	444.776	498.713
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4		
(to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

(1) Previous period restatements explained in Section 3 Note XXIII are not reflected.

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Details on Subordinated Liabilities

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk

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

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

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

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
30 June 2020	6,8110	7,6461
<u>Prior Five Workdays:</u>		
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 one month averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 6,7784 and 7,6332 respectively.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	111.370	104.313	-	215.683
Banks	49.301	692.049	2.407	743.757
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.)	-	-	-	-
Other 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	189.338	-	261.567
Total Assets	14.555.506	21.426.580	3.259	35.985.345
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	126.453	126.854	-	253.307
Funds Provided From Financial Institutions	12.655.012	16.307.841	-	28.962.853
Marketable Securities Issued (4)	-	9.681.789	-	9.681.789
Miscellaneous Payables	56.905	198.689	57	255.651
Derivative Financial Liabilities for Hedging Purposes (5)	-	-	-	-
Other Liabilities (6)	111.552	257.295	382	369.229
Total Liabilities	12.949.922	26.572.468	439	39.522.829
Net Balance Sheet Position	1.605.584	(5.145.888)	2.820	(3.537.484)
Net Off-Balance Sheet Position	(1.357.555)	5.601.400	(1.982)	4.241.863
Financial Derivative Assets	2.376.672	9.698.855	840.337	12.915.864
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	14.083.547	18.277.558	8.707	32.369.812
Total Liabilities	12.065.189	22.458.316	899	34.524.404
Net Balance Sheet Position	2.018.358	(4.180.758)	7.808	(2.154.592)
Net Off –Balance Sheet Position	(1.929.912)	4.460.081	(7.788)	2.522.381
Financial Derivative Assets	1.037.523	7.074.810	149.898	8.262.231
Financial Derivative Liabilities	(2.967.435)	(2.614.729)	(157.686)	(5.739.850)
Non-Cash Loans (7)	1.806.354	2.287.913	2.715	4.096.982

(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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total (2)
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	1.569	-	-	-	-	215.589	217.158
Banks (2)	794.625	-	46.060	-	-	18.813	859.498
Financial Assets at Fair Value Through Profit and Loss (3)	50.087	392.371	374.038	445.221	384.349	-	1.646.066
Money Market Placements (2)	460.995	562.890	336.005	-	-	-	1.359.890
Financial Assets at Fair Value Through Other Comprehensive Income (2)	151.158	87.232	1.061.200	1.838.970	1.227.521	108.401	4.474.482
Loans (2)	5.236.329	6.453.641	10.502.470	5.888.271	5.722.698	-	33.803.409
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	-	1.561.239	1.625.642
Total Assets	7.048.846	8.537.296	13.428.066	8.236.865	7.675.037	1.904.042	46.830.152
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	746.198	-	-	-	-	-	746.198
Miscellaneous Payables	-	-	-	-	-	268.494	268.494
Marketable Securities Issued (4)	-	-	2.070.943	7.610.846	-	-	9.681.789
Funds Provided from Other Financial Institutions	3.486.564	7.386.043	10.791.475	3.509.120	4.175.473	-	29.348.675
Other Liabilities	45.020	67.368	80.659	163.819	268.250	6.159.880	6.784.996
Total Liabilities	4.277.782	7.453.411	12.943.077	11.283.785	4.443.723	6.428.374	46.830.152
Balance Sheet Long Position	2.771.064	1.083.885	484.989	-	3.231.314	-	7.571.252
Balance Sheet Short Position	-	-	-	(3.046.920)	-	(4.524.332)	(7.571.252)
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	969.188	(939.420)	911.617	(167.797)	4.124.203	(4.524.332)	373.459

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	803.582	-	-	-	-	26	803.608
Banks (2)	66.978	-	-	-	-	11.120	78.098
Financial Assets at Fair Value Through Profit and Loss (3)	187.071	401.575	316.607	151.629	168.513	-	1.225.395
Money Market Placements (2)	252.767	272.580	252	-	-	-	525.599
Financial Assets at Fair Value Through Other Comprehensive Income	159.716	436.915	1.147.301	1.646.055	679.717	94.459	4.164.163
Loans (2)	5.398.515	7.365.035	8.697.347	5.230.649	3.855.702	-	30.547.248
Financial Assets Measured at Amortized Cost (2)	338.296	994.092	950.535	-	298.877	-	2.581.800
Other Assets (2)	-	-	-	64.403	-	1.510.031	1.574.434
Total Assets	7.206.925	9.470.197	11.112.042	7.092.736	5.002.809	1.615.636	41.500.345
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.031.556	-	-	-	-	-	1.031.556
Miscellaneous Payables	-	-	-	-	-	69.967	69.967
Marketable Securities Issued (4)	-	-	2.087.826	5.765.669	-	-	7.853.495
Funds Provided from Other Financial Institutions	3.646.106	6.176.586	9.490.539	2.692.068	4.341.632	-	26.346.931
Other Liabilities	121.783	222.183	127.051	47.604	-	5.679.775	6.198.396
Total Liabilities	4.799.445	6.398.769	11.705.416	8.505.341	4.341.632	5.749.742	41.500.345
Balance Sheet Long Position	2.407.480	3.071.428	-	-	661.177	-	6.140.085
Balance Sheet Short Position	-	-	(593.374)	(1.412.605)	-	(4.134.106)	(6.140.085)
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	1.222.528	1.753.539	(2.366.562)	2.622.978	1.334.539	(4.134.106)	432.916

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,95	0,23	-	8,81
Financial Assets at Fair Value Through Profit and Loss (2)	-	6,01	-	-
Money Market Placements	-	-	-	8,38
Financial Assets at Fair Value Through Other Comprehensive Income	2,68	5,20	-	11,93
Loans	4,25	5,87	-	12,96
Financial Assets Measured at Amortized Cost	-	5,59	-	11,82
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,13	0,28	-	7,60
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,98	-	-
Borrower Funds	0,10	0,20	-	4,75
Funds Provided From Other Financial Institutions	1,12	2,07	-	8,52

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	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	4,72	1,55	-	-
Financial Assets at Fair Value Through Profit and Loss (2)	-	10,05	-	-
Money Market Placements	-	-	-	13,50
Financial Assets at Fair Value Through Other Comprehensive Income	4,24	4,76	-	17,49
Loans	4,59	6,72	-	16,12
Financial Assets Measured at Amortized Cost	-	5,59	-	12,45
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	2,24	-	10,97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	-
Borrower Funds	0,10	1,25	-	7,50
Funds Provided From Other Financial Institutions	1,03	2,87	-	10,78

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

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

IV. Explanations related to stock position risk

Accounting practices regarding investments in associates and subsidiaries are included in Section 3 Note XXIII.I

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	449.333	-	983.595
Quoted	449.333	-	983.595
Investment in Shares-Grade B	240.330	-	894.089
Quoted	240.330	-	894.089

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	416.903	-	851.774
Quoted	416.903	-	851.774
Investment in Shares-Grade B	265.505	-	346.953
Quoted	265.505	-	346.953

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk (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.

Equity shares risk due from banking book (continued)

Current Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital (1)	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	43.674	43.674	-	-	-
Other Share Certificates	-	66.843	66.843	-	-	-
Total	-	110.517	110.517	-	-	-

(1) It refers to the amounts reflected to equity for investments in associates and subsidiaries valued according to the equity method.

Prior Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital (1)	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	30.174	30.174	-	-	-
Other Share Certificates	-	48.426	48.426	-	-	-
Total	-	78.600	78.600	-	-	-

(1) It refers to the amounts reflected to equity according to the equity method.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk

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

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

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

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

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

As a result of the financial uncertainty caused by the coronavirus outbreak, liquidity management has been one of the top priorities of the Bank. According to the regulation published by the BRSA on 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..

The Bank continues to manage LCR within the framework of risk appetite by keeping its high quality liquid assets at a sufficient level.

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk (continued)

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

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

1.d Information on unconsolidated liquidity risk mitigation techniques

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

1.e Information on the use of stress tests

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

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

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio

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

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets	-	-	4.636.605	2.350.557
CASH OUTFLOWS				
2 Retail and Customers Deposits	31	6	3	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	31	6	3	1
5 Unsecured Funding other than Retail and Small Business, Customers Deposits	2.459.208	2.277.689	2.096.748	1.829.645
6 Operational deposits	103.583	97.705	25.896	24.426
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.445.625	2.179.984	2.070.852	1.805.219
9 Secured funding	-	-	-	-
10 Other Cash Outflows	957.023	1.096.306	957.023	1.096.306
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	763.432	902.715	763.432	902.715
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	193.591	193.591	193.591	193.591
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	24.888.149	20.582.514	1.244.407	1.029.126
15 Other irrevocable or conditionally revocable commitments	10.395.349	9.384.208	1.087.174	968.000
16 TOTAL CASH OUTFLOWS	-	-	5.385.355	4.923.078
CASH INFLOWS				
17 Secured Lending Transactions	1.649	-	-	-
18 Unsecured Lending Transactions	2.760.037	2.058.200	2.262.709	1.655.539
19 Other contractual cash inflows	250.885	1.751.482	250.885	1.751.482
20 TOTAL CASH INFLOWS	3.012.571	3.809.682	2.513.594	3.407.021
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			4.636.605	2.350.557
22 TOTAL NET CASH OUTFLOWS			2.871.761	1.516.057
23 LIQUIDITY COVERAGE RATIO (%)			161	155

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio (continued)

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	17	217.141	-	-	-	-	-	217.158
Banks (2)	18.813	794.625	-	46.060	-	-	-	859.498
Financial Assets at Fair Value Through Profit and Loss (3)	-	492.112	631.369	507.809	14.776	-	-	1.646.066
Money Market Placements (2)	-	460.995	562.890	336.005	-	-	-	1.359.890
Financial Assets at Fair Value Through Other Comprehensive Income	-	67.674	-	736.769	2.258.125	1.303.513	108.401	4.474.482
Loans (2)	-	2.082.623	1.776.463	5.764.616	16.271.105	7.908.602	-	33.803.409
Financial Assets Measured at Amortized Cost (2)	-	-	-	286.605	2.149.455	407.947	-	2.844.007
Other Assets (2)	-	-	-	64.403	-	-	1.561.239	1.625.642
Total Assets	18.830	4.115.170	2.970.722	7.742.267	20.693.461	9.620.062	1.669.640	46.830.152
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	1.729.929	694.507	3.129.634	12.189.679	11.604.926	-	29.348.675
Money Market Borrowings	-	746.198	-	-	-	-	-	746.198
Marketable Securities Issued (4)	-	368.694	109.455	2.070.943	7.132.697	-	-	9.681.789
Miscellaneous Payables	-	-	-	-	-	-	268.494	268.494
Other Liabilities	-	208.576	175.954	207.397	33.189	-	6.159.880	6.784.996
Total Liabilities	-	3.053.397	979.916	5.407.974	19.355.565	11.604.926	6.428.374	46.830.152
Liquidity Gap	18.830	1.061.773	1.990.806	2.334.293	1.337.896	(1.984.864)	(4.758.734)	-
Net Off-balance sheet Position	-	(17.647)	(40.612)	205.612	228.288	(2.182)	-	373.459
Financial Derivative Assets	-	3.467.212	3.623.076	5.903.885	14.191.574	3.793.892	-	30.979.639
Financial Derivative Liabilities	-	3.484.859	3.663.688	5.698.273	13.963.286	3.796.074	-	30.606.180
Non-cash Loans	-	38.505	646.861	2.569.574	437.911	813.885	402.173	4.908.909
Prior Period								
Total Assets	11.146	4.205.937	3.003.009	6.046.693	18.952.364	7.676.706	1.604.490	41.500.345
Total Liabilities	-	2.161.597	794.611	6.114.537	16.652.024	10.027.834	5.749.742	41.500.345
Liquidity Gap	11.146	2.044.340	2.208.398	(67.844)	2.300.340	(2.351.128)	(4.145.252)	-
Net Off-balance sheet Position	-	(2.085)	(180.911)	311.081	306.043	(1.212)	-	432.916
Financial Derivative Assets	-	3.388.370	1.928.706	6.244.197	12.887.416	3.742.034	-	28.190.723
Financial Derivative Liabilities	-	3.390.455	2.109.617	5.933.116	12.581.373	3.743.246	-	27.757.807
Non-cash Loans	-	-	-	1.805.069	1.240.149	1.085.958	416.542	4.547.718

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

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

(3) Includes derivative financial assets.

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to leverage ratio

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

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

As of 30 June 2020 leverage ratio of the Bank calculated from the arithmetic average of the three months is 10,56% (31 December 2019: 11,10%). Total balance sheet assets are increased by 17,73% compared to prior period.

b) Leverage Ratio

		Current Period (1)	Prior Period (1)(2)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	46.035.089	39.102.216
2	(Assets deducted from Core Capital)	(263.954)	(286.811)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	45.771.135	38.815.405
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	1.596.691	991.440
5	Potential credit risk amount of derivative financial assets and credit derivatives	465.646	384.647
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	2.062.337	1.376.087
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	415.741	572.349
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	415.741	572.349
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	10.685.976	8.059.823
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)	6.485.982	5.255.462
	Capital and total risk		
13	Core Capital	5.779.220	5.109.154
14	Total risk amount (sum of lines 3, 6, 9 and 12)	54.735.195	46.019.303
	Leverage ratio		
15	Leverage ratio	10,56%	11,10%

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

(2) The quarterly average of the amounts in the Leverage Ratio Table is not reflected in the previous period adjustments stated in Section 3, Note XXIII.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

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

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

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

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.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period (1)	Current Period
1	Credit risk (excluding counterparty credit risk)	32.591.196	37.071.402	2.607.296
2	Standardised approach	32.591.196	37.071.402	2.607.296
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.677.673	1.410.244	134.214
5	Standardised approach for counterparty credit risk	1.677.673	1.410.244	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	1.140.263	577.150	91.221
17	Standardised approach	1.140.263	577.150	91.221
18	Internal model approaches	-	-	-
19	Operational risk	2.551.109	2.061.973	204.089
20	Basic indicator approach	2.551.109	2.061.973	204.089
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.313.210	1.415.415	105.057
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	39.273.451	42.536.184	3.141.877

(1) Previous period restatements explained in Section 3 Note XXIII are not reflected.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Current Period		Defaulted (a)	Non-defaulted (b)	(c)	(d)
1	Loans	1.194.832	39.443.473	1.250.067	39.388.238
2	Debt Securities	-	7.260.481	44.170	7.216.311
3	Off-balance sheet	3.157	10.561.940	30.227	10.534.870
4	Total	1.197.989	57.265.894	1.324.464	57.139.419

		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	1.102.874	35.018.618	878.511	35.242.981
2	Debt Securities	-	6.701.270	46.405	6.654.865
3	Off-balance sheet	2.964	8.200.758	24.621	8.179.101
4	Total	1.105.838	49.920.646	949.537	50.076.947

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	1.105.838
2	Loans and debt securities that have defaulted since the last reporting period	344
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	91.807
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)	1.197.989

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk mitigation techniques - Standard approach

		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
	Current Period							
1	Loans	37.382.552	1.821.450	1.577.321	183.402	110.364	-	-
2	Debt securities	7.217.145	-	-	-	-	-	-
3	Total	44.599.697	1.821.450	1.577.321	183.402	110.364	-	-
4	Of which defaulted	1.098.383	-	-	-	-	-	-

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to 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	
		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	7.048.891	219.484	7.159.216	43.897	-	-
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	1	3.967	1	793	794	100%
4	Exposures to multilateral development banks	19.129	-	19.129	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	3.039.571	459.341	3.039.610	49	1.013.869	33%
7	Exposures to corporates	27.910.430	29.214.116	27.800.106	3.335.704	29.255.222	94%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential 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	1.098.383	-	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	134.799	701.263	134.799	97.470	232.252	100%
17	Equity Investments	1.054.249	-	1.054.249	-	1.842.175	175%
18	Total	41.927.941	31.298.158	41.505.863	3.619.058	33.904.406	75%

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk mitigation techniques- Standard approach (continued)

Credit risk exposure and credit risk mitigation effects (continued)

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

(1) Previous period restatements explained in Section 3 Note XXIII are not reflected.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Standard Approach- Exposures by asset classes and risk weights

	Current Period	Risk Groups/ Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Total Risk Amount (After CCR and CVA)
1		Exposures to sovereigns and their central banks	7.203.113	-	-	-	-	-	-	-	-	7.203.113
2		Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3		Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	794	-	-	-	794
4		Exposures to multilateral development banks	19.129	-	-	-	-	-	-	-	-	19.129
5		Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6		Exposures to banks and securities firms	-	-	1.778.216	1.206.434	-	55.009	-	-	-	3.039.659
7		Exposures to corporates	-	-	721.932	2.606.087	-	27.807.791	-	-	-	31.135.810
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	-	-	-	-	-	528.965	-	525.284	-	1.054.249
16		Other exposures	17	-	-	-	-	232.252	-	-	-	232.269
17		Total	7.222.259	-	2.500.148	5.652.855	-	29.143.650	80.725	525.284	-	45.124.921

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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

	Prior Period (1)	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	5.240.714	-	-	-	-	2.271.938	-	-	-	7.512.652
2		Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3		Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.128	-	-	-	1.128
4		Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5		Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6		Exposures to banks and securities firms	-	-	732.551	221.885	-	1.046.942	-	-	-	2.001.378
7		Exposures to corporates	-	-	576.608	181.851	-	30.763.902	-	-	-	31.522.361
8		Retail exposures	-	-	-	-	-	-	-	-	-	-
9		Exposures secured by property	-	-	-	1.651.791	-	-	-	-	-	1.651.791
10		Past due receivables	-	-	-	3.212	-	744.337	1.880	-	-	749.429
11		Exposures in higher-risk categories	-	-	-	294	-	-	77.360	-	-	77.654
12		Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13		Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14		Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15		Equity investments	-	-	-	-	-	591.883	-	-	566.166	1.158.049
16		Other exposures	26	-	-	-	-	241.063	-	-	-	241.089
17		Total	5.240.740	-	1.309.159	2.059.033	-	35.661.193	79.240	-	566.166	44.915.531

(1) Previous period restatements explained in Section 3 Note XXIII are not reflected..

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Analysis of counterparty credit risk exposure by approach

	Current Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	1.094.919	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)	-	-	-	-	409.047	227.019
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.108.417

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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)	884.241	337.692	-	-	1.221.933	728.438
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	749.807	294.792
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.023.230

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	1.221.933	381.732
4	Total subject to the CVA capital charge	1.221.933	381.732

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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(*)
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	-	584.422	-	-	589.323
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	-	586.507	-	-	1.888.166

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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

Prior Period (2)									
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	-	-	546.137	1.023.200	-	7.550	-	-	1.576.887
Exposures to corporates	-	-	-	-	-	386.470	-	-	386.470
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	773	-	-	773
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	546.137	1.023.200	-	402.403	-	-	1.971.740

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

(2) Previous period restatements explained in Section 3 Note XXIII.I are not reflected..

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Collaterals used for CCR

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
Current Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	479.913	-
Cash – foreign currency	-	-	-	-	870.914	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.350.827	-

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default Post – CRM	RWA	Exposure at Default Post – CRM	RWA
Exposure to Qualified Central Counterparties (QCCPs) Total	-	7.140	241.784	5.281
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	241.343	4.827	148.226	2.964
(i) OTC Derivatives	226.487	4.530	127.470	2.549
(ii) Exchange-traded Derivatives	12.489	250	5.324	106
(iii) Securities financing transactions	2.367	47	15.432	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)	273.238	245.825
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	867.025	331.163
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	162
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	1.140.263	577.150

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	17	-	25	-
Balances with the Central Bank of Turkey	1.570	215.683	484	803.528
Other	-	-	-	-
Total	1.587	215.683	509	803.528

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

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	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) Expected credit loss amounting to TL 112 is allocated in "Balances with the Central Bank of Turkey" (31 December 2019: 429 TL).

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

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

1.b. Information related to the account of 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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

Financial Derivative Assets (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	92.849	26.215	44.124	163
Swap Transactions	461.359	411.494	609.108	231.423
Futures Transactions	-	-	-	-
Options	-	12.500	-	9.596
Other	-	-	-	-
Total	554.208	450.209	653.232	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).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 145 million as of 30 June 2020 is TL 355.359 and the average rates are between 2021 and 2023.

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 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and foreign banks account

3.a Information on banks:

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	101.073	495.156	288	18.355
Foreign	15.018	248.601	-	59.489
Branches and head office abroad	-	-	-	-
Total	116.091	743.757	288	77.844

(1) Expected credit loss amounting to TL 350 is allocated in "Banks" (31 December 2019: 34 TL).

3.b Information on foreign banks

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	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 at fair value through other comprehensive income given as collateral or blockage:

As of 30 June 2020, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.815.172.

	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 43,41%, Eurobonds 50,76% and shares and other securities 5,83% (31 December 2019: 48,06% government bonds, 46,16% Eurobond, 5,78% shares and other securities).

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SECTION FIVE (Continued)

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

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

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

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

	Current Period	Prior Period
Debt securities	4.401.542	4.107.611
Quoted on a stock exchange	2.096.571	2.155.330
Unquoted	2.304.971	1.952.281
Share certificates	115.780	104.490
Quoted on a stock exchange	29.549	30.556
Unquoted	86.231	73.934
Impairment provision(-)	45.653	47.938
Total	2.813	-
	4.474.482	4.164.163

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 72.426 (31 December 2019: 59.007 TL).

5. Explanation on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	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	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

Current Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	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	-	-	-	-
Total	29.919.294	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.

Prior Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	26.862.157	803.006	1.696.477	830.780
Working Capital loans	3.100.440	69.185	180.038	830.780
Export loans	663.864	-	78.028	-
Import loans	-	-	-	-
Loans given to financial sector	4.521.463	-	-	-
Consumer loans	740	-	-	-
Credit cards	-	-	-	-
Other	18.575.650	733.821	1.438.411	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	26.862.157	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 4.660.356 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	300.471	-	172.668	-
Significant Increase in Credit Risk	-	497.727	-	350.807

5.c Loans according to their maturity structure:

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

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

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

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SECTION FIVE (Continued)

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

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

5. Explanation on loans (continued)

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

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

5.f Loans according to borrowers:

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	33.550.123	30.080.280
Foreign loans	126.424	112.140
Total	33.676.547	30.192.420

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 receivables with limited collectability	197.193	184.323
Loans and receivables with doubtful collectability	203.085	120.078
Uncollectible loans and receivables	50.070	49.044
Total	450.348	353.445

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

5.j.1 Information on loans and other receivables restructured from non-performing loans or linked to a new amortization schedule

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

5.j.2 Information on total non-performing loans (net):

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Prior period end balance	457.905	594.045	50.924
Additions (+)	12	28.220	1
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	130
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	1.559	90.296	321
Current period end balance	430.721	711.872	52.239
Provision (-)	197.193	203.085	50.070
Net Balances on Balance Sheet	233.528	508.787	2.169

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Prior Period			
Prior period end balance	22.719	522.165	47.490
Additions (+)	459.570	46.845	9.397
Transfers from other categories of non-performing loans (+)	-	22.779	8.215
Transfers to other categories of non-performing loans (-)	22.779	8.215	-
Collections (-)	1.640	68.616	14.261
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	35	79.087	83
Current period end balance	457.905	594.045	50.924
Provision (-)	184.323	120.078	49.044
Net Balances on Balance Sheet	273.582	473.967	1.880

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5 Explanation on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Period End Balance	11.865	682.909	34.536
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
Provision (-)	3.223	118.878	32.335
Net Balance on Balance Sheet	7.083	473.736	1.880

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	430.721	711.872	52.239
Provision Amount (-)	197.193	203.085	50.070
Loans to Real Persons and Legal Entities (Net)	233.528	508.787	2.169
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation on loans (continued)

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

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

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
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

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

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

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

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

6. Information on financial assets measured at amortized cost

6.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

6.c Information on financial investments 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
Impairment provision (-)	-	-
Total	2.847.418	2.585.160

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

6.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
Impairment Loss	-	-
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 associates (net)

7.a Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,23
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.463.442	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
4	Terme (1)	24.556	5.200	1.551	-	-	(15)	(21)	-
5	Ege Tarım	16.445	15.622	8.174	-	-	1.460	1.715	2.123

(1) The information is obtained from financial statements as of 31 March 2020. The information of prior year profit/loss is obtained from 31 March 2019 financial statements.

7.b Movements of associates subject to unconsolidation:

	Current Period	Prior Period
Balance at the Beginning of the Period	464.919	428.490
Movements During the Period	31.826	36.429
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Share of Profit (1)	-	-
Sales	-	-
Revaluation Increase / decrease (2)	31.826	36.429
Provision for Impairment	-	-
Balance at the End of the Period	496.745	464.919
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1)Includes accounting differences with the 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)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on associates (net) (continued)

Information on associates sold in the current period

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

Information on associates purchased in the current period

In current period the Bank has not purchased any associates.

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	72.760	65.335
Leasing Companies	379.677	355.955
Financial Service Companies	-	-
Other Financial Associates	44.308	43.629

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	423.985	399.584
Associates quoted on foreign stock exchanges	-	-

8. Information on subsidiaries (net)

8.a Information related to equity component of subsidiaries:

Current Period (1)	YF	TSKB GYO
CORE CAPITAL		
Paid-in Capital	63.500	300.000
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)
Leasehold Improvements (-)	337	-
Intangible Assets (-)	867	32
Total Core Capital	138.244	266.260
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	138.244	266.260

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

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

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

(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 519 of the Turkish Commercial Code numbered 6102. The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.

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

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

8.c Information on subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,09	89,91
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,17	99,85

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.c Information on subsidiaries (continued):

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	27.677	22.419	1.347	1.016	-	4.048	2.024	22.164
2	YF (1)	942.586	139.448	9.912	27.054	792	18.906	9.427	133.565
3	TSKB GYO (1)	571.318	266.292	295	28	-	(44.551)	(21.556)	236.129
4	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 Movement schedule for subsidiaries subject to consolidation:

	Current Period	Prior Period
Balance at the beginning of the period	378.504	323.690
Movements in the period	(8.810)	54.814
Purchases (2)	7.702	-
Bonus shares obtained	-	-
Current year share of profit(1)	-	-
Sales	-	-
Revaluation increase / decrease(1)	(16.512)	54.814
Provision for impairment	-	-
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.

(2) At the Board of Directors meeting held on 30 November 2018, the Bank decided to purchase TSKB GYO A.Ş.'s shares traded on the stock exchange up to a nominal share of amounting to TL 10 million in the next year. The shares purchased within the scope of this program have been classified under the "Financial Assets at Fair Value through Profit and Loss". The shares which purchased transaction has been completed, were classified from the "Financial Assets at Fair Value through Profit Loss" to the "Subsidiaries" account in February 2020.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.d Movement schedule for subsidiaries (continued):

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

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

At the Board of Directors meeting held on 26 February 2020, The Bank decided to authorize the General directorate that purchase of TSKB GYO A.Ş. from the shares traded on the stock exchange up to a nominal amount of TL 12.5 Million within a year without any commitment, and classification of existing and new shares to be purchased, when necessary. Shares purchased under this program are classified under the “Financial Assets at Fair Value through Profit and Loss”.

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	369.694	378.504

8.f Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	236.129	265.505
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2019: None).

10. Information on lease receivables (net)

10.a Maturities of investments on leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

There is a positive differences amounting to TL 378.552 related to derivative financial assets for hedging purposes (31 December 2019: 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 Swaps	14.189.584	269.004	-	16.520.430	67.884	(16.545)
FC	14.189.584	269.004	-	16.520.430	67.884	(16.545)
TL	-	-	-	-	-	-
Money Swaps	4.100.162	109.548	-	-	-	-
FC	4.100.162	109.548	-	-	-	-
TL	-	-	-	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Explanation on derivative financial assets held for hedging purposes (continued)

11.a.1 Information on fair value hedge accounting

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	(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 Issued Eurobond	Interest Rate Risk	(104.705)	103.604	-	(1.102)

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

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	16.960	69.500	(13.577)	72.883
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(5.481)	4.597	-	(884)

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

12. Explanations on tangible assets

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

13 Information on intangible assets

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

14. Information on investment property

The Bank has no investment property (31 December 2019: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	25.013	22.138
Other provisions	202.608	129.195
Employee benefit provision	3.770	3.239
Marketable securities	95.376	2.028
Other (1)	16.339	7.555
Total Deferred Tax Asset	343.106	164.155
Deferred tax liability:		
Marketable securities	-	-
Valuation of derivative instruments	(176.834)	(104.308)
Funds borrowed commissions accrual adjustment	(17.535)	(14.744)
Useful life difference of fixed assets	(606)	(772)
Other	(5.803)	(5.803)
Total Deferred Tax Liability	(200.778)	(125.627)
Net Deferred Tax Asset	142.328	38.528

(1) 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	38.528	3.535
Deferred Tax (Loss) / Gain	99.472	26.994
Deferred Tax that is Realized Under Shareholder's Equity (1)	4.328	(10.720)
Deferred Tax Asset / (Liability) Net	142.328	19.809

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

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. (31 December 2019: None)

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

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2019: None).

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SECTION FIVE (Continued)

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

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

16. Explanation on assets held for sale

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

Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1,6172% stake and amounting to TL 64.403. The Bank considered the related investment within the scope of TFRS 5 “Assets Held for Sale and Discontinued Operations” (31 December 2019: TL 64.403).

17. Information about other assets

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

2. Negative differences table related to derivative financial liabilities

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	90.024	25.265	41.025	142
Swap Transactions	113.020	350.220	235.908	181.127
Futures Transactions	-	-	-	-
Options	-	12.500	-	9.596
Other	-	-	-	-
Total	203.044	387.985	276.933	190.865

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

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	263.800	208.302	493.500	412.684
From Foreign Banks, Institutions and Funds	122.022	28.754.551	122.030	25.318.717
Total	385.822	28.962.853	615.530	25.731.401

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	263.800	-	-	132.621
Medium and long-term	122.022	28.962.853	615.530	25.598.780
Total	385.822	28.962.853	615.530	25.731.401

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	7.151.550	-	5.916.000
Cost	-	7.110.551	-	5.884.485
Book Value	-	7.529.034	-	6.023.450

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

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

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

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

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

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

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

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2019: None).

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 10 cars and 341 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2019: 2 head office buildings, 1 branch, 11 cars and 177 computers under operational leasing). In the current period, the Bank has lease liability with TFRS 16 amounting to TL 34.087 related to operational lease transactions.

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	-	-	16.545
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	-	-	16.545

(1) Derivative financial liabilities for hedging purposes were presented at "Derivative Financial Liabilities" line.

7. Explanations on provisions

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

The Bank has no foreign exchange losses on the foreign currency indexed loans. (31 December 2019: None).

7.b 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 on other provision:

7.c.1 Provision for possible losses:

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

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

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 30 June 2020, employee termination benefits is amounting TL 12.103 reflected in financial statements (31 December 2019: TL 11.864). As of 30 June 2020, the Bank has provided a reserve for unused vacation amounting to TL 5.035 (31 December 2019: TL 2.860). This balance is classified under reserve for employee benefits in the financial statements.

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 30 June 2020, the Bank has no obligations on pension rights (31 December 2019: None).

Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2019:None).

Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Explanations on provisions (continued)

Accordingly, as of 30 June 2020 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Section 3 Note 16, the accounting policies related with employee benefits.

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

None.

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Tax Payable	198.220	-	67.604	-
Deferred Tax Liability	-	-	-	-
Total	198.220	-	67.604	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	198.220	67.604
Taxation of Securities	1.422	337
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	8.392	6.865
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	676	430
Other	2.135	2.054
Total	210.845	77.290

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	53	45
Unemployment insurance-Employer	105	90
Other	-	-
Total	158	135

8.b Information on deferred taxes liabilities:

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on liabilities regarding assets held for sale

None (31 December 2019: None).

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

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

11. Explanations on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

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

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

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

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

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

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

None (31 December 2019: None).

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

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Explanations on shareholders' equity (continued)

11.g Information on preferred shares:

The 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	59.638	-	42.262	-
Financial Assets at Fair Value Through Profit or Loss	106.702	(43.075)	67.613	(3.357)
Valuation Differences	77.707	(43.075)	46.899	(3.357)
Foreign Exchange Difference	28.995	-	20.714	-
Total	166.340	(43.075)	109.875	(3.357)

11.i Informations on legal reserves:

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

11.j Informations on extraordinary reserves:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanation on off-balance sheet liabilities

1.a Types and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	694.920	21.404
Commitments for Stock Brokerage Purchase and Sales	3.967	5.638
Commitments for Letter of Credit	35.960	94.264
Capital commitments for subsidiaries and associates (1)	112.322	96.782
Other	261.051	222.589
Total	1.108.220	440.677

(1) The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment and capital participation commitment regarding the cash capital increase of TSKB Sürdürülebilirlik A.Ş.

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 2.990.270 (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 given by the Bank is TL 1.918.639 (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 obtaining cash loans	1.829.344	1.816.074
With maturity of one year or less than one year	394.778	189.405
With maturity of more than one year	1.434.566	1.626.669
Other non-cash loans	3.079.565	2.731.644
Total	4.908.909	4.547.718

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

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

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

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

2. Explanation related to derivative financial instruments

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

3. Explanations on loan derivatives and risk exposures

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

SECTION FIVE (Continued)

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

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

4. Explanations on contingent liabilities and assets

There are 41 legal cases against the Bank which are amounting to TL 2.162 as of the reporting date (31 December 2019: TL 2.162 - 41 legal cases).

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

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

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

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

5. Custodian and intermediary services:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (1)				
Short term loans	35.170	60.461	99.168	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	223.794	914.968	283.493	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	5.485	2.393	6.746	14.446
Foreign banks	594	3.667	1.409	4.945
Branches and head office abroad	-	-	-	-
Total	6.079	6.060	13.512	19.391

(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	5	-	3	-
Financial Assets at Fair Value Through Other Comprehensive Income	143.234	79.010	185.762	33.978
Financial Assets Measured at Amortized Cost	145.196	5.318	113.449	14.310
Total	288.435	84.328	299.214	48.288

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest income (continued)

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	9.161	9.172

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	10.366	63.613	32.668	36.447
The Central Bank of Turkey	-	-	-	-
Domestic banks	4.501	4.326	27.343	2.538
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)	11.759	292.977	34.053	308.496

(1) Commissions given to Banks and Other Institutions have been included to interest expense on funds borrowed.

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

The Bank has no interest expense to its associates and subsidiaries (30 June 2019: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (1)	-	322.394	-	292.078

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

3. Information on dividend income

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

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	2.447.817	2.117.368
Gains on capital market operations	3.468	1.806
Gains on derivative financial instruments (1)	1.994.732	1.375.167
Foreign exchange gains	449.617	740.395
Losses (-)	(2.423.152)	(2.346.476)
Losses on capital market operations	(2.046)	(1.355)
Losses on derivative financial instruments (1)	(1.871.656)	(1.599.239)
Foreign exchange losses	(549.450)	(745.882)

(1) Foreign exchange gain from derivative transactions amounting to TL 818.951 is presented in "Gains on derivative financial instruments" (30 June 2019: TL 520.691), foreign exchange loss from derivative transactions amounting to TL (714.931) is presented in "Losses on derivative financial instruments" (30 June 2019: TL (698.484)).

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SECTION FIVE (Continued)

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

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	245	24.842
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	1.689	1.874
Total	2.004	26.890

6. Expected credit loss of the Bank

	Current Period	Prior Period
Expected Credit Loss	378.086	199.013
12 Months Expected Credit Loss (Stage 1)	132.763	31.415
Significant Increase in Credit Risk (Stage 2)	148.224	143.146
Non-performing Loans (Stage 3)	97.099	24.452
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 Income	20.795	4.830
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other	-	20.000
Total	452.447	254.831

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	239	564
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	7.804	7.137
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.018	802
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	14.043	11.271
Leasing Expenses on TFRS 16 Exceptions	497	618
Maintenance expenses	324	397
Advertisement expenses	443	437
Other expenses	12.779	9.819
Loss on sale of assets	-	-
Other (1)	17.269	16.066
Total	40.373	35.840

(1) It contains tax and duties paid expenses excluding corporate tax amounting to TL 3.512, vacation liability expenses amounting to TL 2.175 (It contains vacation liability expenses amounting to TL 1.627 as of 30 June 2019).

8. Information on tax provision for continued and discontinued operations

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

The Bank has amounting to TL 193.847 current tax charge for the period (30 June 2019: TL 134.541 charge). Deferred tax income is TL 99.472 (30 June 2019: TL 26.994 deferred tax income).

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

Deferred tax income calculated on temporary differences is TL 99.472 (30 June 2019: TL 26.994 deferred tax income).

8.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).

SECTION FIVE (Continued)

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

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

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

As of 30 June 2020, the Bank's profit before tax has decreased by 16,49% compared to the prior period.

10. Information on net profit/loss

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

The Bank has generated TL 1.557.319 of interest income, TL 641.094 of interest expenses and TL 29.622 of net fee and commission income from banking operations (30 June 2019: TL 1.768.717 interest income, TL 744.839 interest expense, TL 12.989 net fee and commission income).

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

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

10.c Minority share of profit and loss:

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (30 June 2019: None).

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

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

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	545.560	27.938	118.394	-	39.529	-
Balance at End of Period	591.409	43.441	273.810	-	32.576	-
Interest and Commission Income	9.018	143	5.285	-	1.120	-

1.b Prior Period:

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	437.232	262	102.776	-	59.858	-
Balance at End of Period	545.560	27.938	118.394	-	39.529	-
Interest and Commission Income (1)	8.696	476	3.861	-	2.107	-

(1) Represents for the period of 30 June 2019..

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Bank	Subsidiaries, Associates and Joint Ventures		Direct and Indirect Shareholders of the Bank		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	364.732	-	-	-	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 period of 30 June 2019.

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

Benefits provided to the key management personnel in the current period amount to TL 10.423 (30 June 2019: TL 9.095).

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SECTION FIVE (Continued)

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

VI. Explanations related to the events after the reporting date

In the 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 unconsolidated financial statements for the period ended 30 June 2020 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (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 Bank's operations.

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

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.

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INFORMATION ON INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION (continued)

Changes in Board of Directors during the period (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.

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INFORMATION ON INTERIM ACTIVITY REPORT

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

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

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INFORMATION ON INTERIM ACTIVITY REPORT

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

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 of 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 12,8% in the first half, reaching TL 46,8 billion. Total loan portfolio increased by 11,5%, reaching TL 35,1 billion in the same period.

The profit before provisions and taxes we have derived in the first half stood at 868,9 million. Our net profit for the first half stood at TL 322 million. We have thus achieved an adjusted return on equity of 12,4% and a capital adequacy ratio of 16,6, 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 Chief Executive Officer

Ece Börü

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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

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 assessments for the interim activities (continued)

ECONOMIC DEVELOPMENTS DURING 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.

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

Banking Sector (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 key financial indicators as of 30 June 2020 is as follows:

While the total asset size increased by 13,0% year-on-year, it increased by 12,8% compared to the end of 2019, reaching TL 46,8 billion.

The total loan portfolio reached TL 35,1 billion as of the end of June with an increase of 15,7% year-on-year and 11,5% compared to the year-end. The share of the loans in assets was 74,8%. The share of non-performing loans in total loans was 3,4% as of the end of June.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

FINANCIAL DEVELOPMENTS IN THE INTERIM PERIOD (Continued)

While shareholder's equity increased by 19,7% year-on-year, it decreased by 6,6% compared to the end of 2019, reaching TL 5,5 billion. The capital adequacy ratio recorded as 17,8% at the end of 2019 fell to %16,6 by the end of June.

Net interest income fell by 10,5% in the first half of 2020 reaching TL 916,2 million, whereas fee and commission income increased by 128,1%, reaching TL 29,6 million. The income-expense ratio, which was recorded as 13,4% in 2019, fell to 12,1% in the first half of 2020.

Net profit fell by 16,5% in the first half year-on-year, reaching TL 322,0 million.

The Return on Tangible Equity, which was recorded as 17,2% in 2019, fell to 12,4% in the first half of 2020.

The return on assets, which was recorded as 1,9% at the end of 2019, fell to 1,5% in the first half of 2020.

Forward-Looking Expectations

Some of the expectations shared with the public on Public Disclosure Platform on 3 February 2020 were amended in the second quarter.

The October - October inflation rate, which is used for the appraisal of CPI-indexed real properties, was revised from 10,7% to 9,5%.

The FX-adjusted loan growth rate expected for the year-end, which was in the 3-5% range, was revised horizontally.

The expected increase rate for the operating expenses, which were expected to increase by less than 20%, was revised as below 15%.

The adjusted return on equity, which had been expected to be above 16%, is expected to be above 14% as of the year-end.

In line with the transition to TMS 27, the capital adequacy and Tier-1 ratio were revised downwards by 100 bps.

As a result of the increase driven in the reserves by the prudent approach adopted in the light of the pandemic, the net loan risk cost ratio was revised upwards by 50 bps.

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INFORMATION ON INTERIM ACTIVITY REPORT

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

<i>Financial Guidance (Bank Only) %</i>	<i>2020E Guidance</i>	<i>Revised Guidance</i>
FX Adjusted Loan Growth	3-5	Flat
Loans/Assets Ratio	~75	~75
Fees & Commissions Growth	>50	~50
OPEX Growth	<20	<15
Net Interest Margin (adj.)	~4.0	~4.0
Return on Tangible Equity	>16	>14
Return on Assets	1,7-1,9	1,7-1,9
Cost/Income Ratio	<15	<15
Capital Adequacy Ratio	>18	>17
Tier 1 Ratio	>12,5	>11,5
Stage 2 Loans Ratio	Flat	Flat
NPL Ratio	<3,5	<3,5
Net Cost of Risk	<100 bps	<150 bps

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.

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

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>