

Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

**Publicly announced consolidated financial statements and
related disclosures at 30 June 2021 together with
auditor's review report and interim activity report**

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



**Building a better
working world**

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

INTERIM REVIEW REPORT

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

Introduction

We have reviewed the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. (“the Bank”) and its consolidated financial subsidiaries (together will be referred as “the Group”) at 30 June 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard (“TAS”) 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation (together referred as “BRSA Accounting and Financial Reporting Legislation”). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 7 of the Explanations and Disclosures related to the Liabilities, the accompanying consolidated financial statements as at 30 June 2021 include a free provision amounting to TL 285.000 thousand of which TL 220.000 thousand and TL 65.000 thousand were provided in prior years and current year respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the recognition criteria of TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the “Prior Years’ Profit/Loss” as of 30 June 2021 and 31 December 2020 and “Net Profit/Loss” for the six-month period then ended 30 June 2021 are understated by TL 220.000 thousands, TL 65.000 thousands respectively.

Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. and its consolidated financial subsidiaries at 30 June 2021 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English

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

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



Fatma Ebru Yücel, SMMM
Partner

4 August 2021
İstanbul, Türkiye

**THE CONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

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

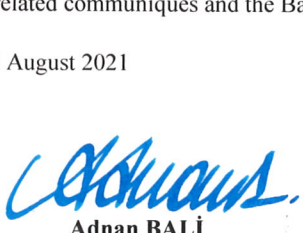
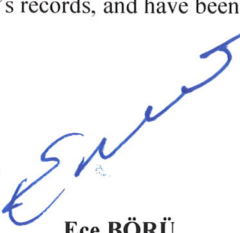



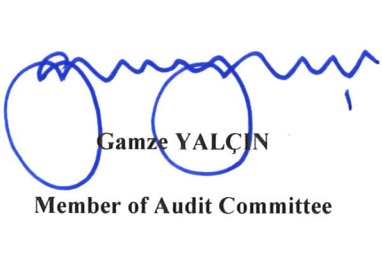
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES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

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

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

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

4 August 2021

 Adnan BALI Chairman of Board of Directors	 Ece BÖRÜ Member of Board of Directors and General Manager	 Aziz Ferit ERASLAN Executive Vice President In Charge of Financial Reporting	 Tolga SERT Head of Financial Control Department
 Mahmut MACEMİZOĞLU Chairman of Audit Committee	 Gamze YALÇIN Member of Audit Committee		

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

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

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	1.425.781	50,92	1.425.781	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.649	40,70	1.139.649	-
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	1.425.781	50,92	1.425.781	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.139.649	40,70	1.139.649	-
Total	2.800.000	100,00	2.800.000	-

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,92% of the shares belongs to İş Bank Group and 38,88% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
Adnan Bali (2)	Chairman of the Board of Directors
Mahmut Magemizoğlu	Vice Chairman of the Board of Directors and Chairman of the Audit Committee
Ece Börü	Member of the Board of Directors and General Manager
Bahattin Özarslantürk	Member of the Board of Directors
Mithat Rende	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ozan Uyar	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
Cengiz Yavilioğlu (3)	Member of the Board of Directors

General Manager and Vice Presidents (5)

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

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

(2) The Member of the Board of Directors and Chairman of the Board of Directors of the Bank Mr. H. Ersin Özince resigned from his duty as a member of the Board of Directors and Chairman of the Board of Directors position due to term expiration as of 25 March 2021. In the meeting of the General Assembly held on 25 March 2021, Mr. Adnan Bali was elected to the vacant position of Member of the Board of Directors and elected to the Chairman of the Board of Directors as of 31 March 2021 in accordance with Article 363 of the Turkish Commercial Code and the 16th article of The Bank's core contract.

(3) The Member of the Board of Directors Mr. Yavuz Canevi resigned from his duty as a member of the Board of Directors due to term expiration. In the meeting of the General Assembly held on 25 March 2021, it is decided that Mr. Cengiz Yavilioğlu was elected to the vacant position of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code.

(4) Bank's Deputy General Manager responsible for Support Services, System & Network Support, Application Development ,Mr.Gökhan Çanakpınar and the Deputy General Manager responsible for Human Resources, Enterprise Architecture and Process Management and Fund manager, Mr.H.Yetkin Kesler, resigned from their duties due to retirement on 30 June 2021.

(5) In the Board of Directors of the Bank held on 27 April 2021, Mrs. Özlem Bağdatlı, has been decided to be appoint responsible for Human Resources, Legal Affairs, Fund with the title of director, Mr.. Bilinç Tanağardı has been decided to appoint responsible for the management of the Directorates of Application Development, Support Services, System and Enterprise Architecture and Process Management with the title of director.

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 2021 in the General Assembly Meeting held on 25 March 2021.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

(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 Parent Bank

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

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

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

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

(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 89,13%. The company's headquarters is located at Istanbul/Turkey.

Yatırım Varlık Kiralama A.Ş. :

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

(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)**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2021

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

ASSETS	Section 5 Note I	Reviewed Current Period 30 June 2021			Audited Prior Period 31 December 2020		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		4.695.046	5.886.197	10.581.243	4.051.419	5.046.636	9.098.055
1.1 Cash and Cash Equivalents		1.781.946	1.870.162	3.652.108	1.512.256	1.363.303	2.875.559
1.1.1 Cash and Balances with Central Bank	(1)	23.860	1.285.470	1.309.330	2.247	1.021.382	1.023.629
1.1.2 Banks	(3)	85.174	586.727	671.901	86.932	342.533	429.465
1.1.3 Money Market Placements		1.673.120	-	1.673.120	1.424.176	-	1.424.176
1.1.4 Expected Credit Losses (-)		208	2.035	2.243	1.099	612	1.711
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	11.688	263.097	274.785	16.754	263.097	279.851
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		1.066	-	1.066	4.152	-	4.152
1.2.3 Other Financial Assets		10.622	263.097	273.719	12.602	263.097	275.699
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.209.338	3.126.868	5.336.206	1.905.409	2.696.730	4.602.139
1.3.1 Government Debt Securities		1.891.960	3.025.199	4.917.159	1.695.394	2.619.578	4.314.972
1.3.2 Equity Instruments		80.675	101.669	182.344	88.595	77.152	165.747
1.3.3 Other Financial Assets		236.703	-	236.703	121.420	-	121.420
1.4 Derivative Financial Assets	(2)	692.074	626.070	1.318.144	617.000	723.506	1.340.506
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		692.074	626.070	1.318.144	617.000	723.506	1.340.506
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		7.829.601	39.715.515	47.545.116	8.056.807	32.645.563	40.702.370
2.1 Loans	(5)	5.871.395	40.622.290	46.493.685	5.875.096	33.299.702	39.174.798
2.2 Lease Receivables	(10)	-	243.304	243.304	-	205.726	205.726
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	2.574.156	424.884	2.999.040	2.719.902	363.157	3.083.059
2.4.1 Government Debt Securities		2.574.156	424.884	2.999.040	2.719.902	363.157	3.083.059
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		615.950	1.574.963	2.190.913	538.191	1.223.022	1.761.213
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		691.952	-	691.952	651.842	-	651.842
4.1 Investments in Associates (Net)	(7)	659.090	-	659.090	625.893	-	625.893
4.1.1 Accounted Under Equity Method		659.090	-	659.090	625.893	-	625.893
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(8)	32.199	-	32.199	25.352	-	25.352
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		32.199	-	32.199	25.352	-	25.352
4.3 Entities under Common Control (Joint Venture) (Net)		663	-	663	597	-	597
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	597	-	597
4.3.2 Unconsolidated Joint Ventures		663	-	663	-	-	-
V. TANGIBLE ASSETS (Net)	(12)	380.804	-	380.804	380.662	-	380.662
VI. INTANGIBLE ASSETS (Net)	(13)	4.937	-	4.937	5.066	-	5.066
6.1 Goodwill		1.005	-	1.005	1.005	-	1.005
6.2 Other		3.932	-	3.932	4.061	-	4.061
VII. INVESTMENT PROPERTY (Net)	(14)	280.367	-	280.367	279.523	-	279.523
VIII. CURRENT TAX ASSET		101	-	101	78	-	78
IX. DEFERRED TAX ASSET	(15)	224.375	-	224.375	175.419	-	175.419
X. OTHER ASSETS (Net)	(17)	1.160.038	235.638	1.395.676	614.639	458.863	1.073.502
TOTAL ASSETS		15.331.624	45.837.350	61.168.974	14.279.858	38.151.062	52.430.920

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2021

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

		Reviewed Current Period 30 June 2021			Audited Prior Period 31 December 2020			
LIABILITIES AND EQUITY		Section 5 Note II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
II.	FUNDS BORROWED	(3)	581.190	37.597.494	38.178.684	119.985	32.212.225	32.332.210
III.	MONEY MARKET BALANCES		277.681	694.391	972.072	1.066.421	323.705	1.390.126
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	1.118.092	9.927.427	11.045.519	441.111	8.021.275	8.462.386
4.1	Bills		223.151	-	223.151	35.907	-	35.907
4.2	Assets Backed Securities		894.941	-	894.941	405.204	-	405.204
4.3	Bonds		-	9.927.427	9.927.427	-	8.021.275	8.021.275
V.	BORROWER FUNDS		5.560	109.743	115.303	6.275	115.830	122.105
5.1	Borrower Funds		5.560	109.743	115.303	6.275	115.830	122.105
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	166.740	422.425	589.165	326.364	548.616	874.980
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		166.740	422.425	589.165	326.364	548.616	874.980
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	5.523	-	5.523	4.394	-	4.394
X.	PROVISIONS	(7)	318.634	36.988	355.622	245.185	29.593	274.778
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		22.740	-	22.740	21.141	-	21.141
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		295.894	36.988	332.882	224.044	29.593	253.637
XI.	CURRENT TAX LIABILITY	(8)	180.222	-	180.222	155.129	-	155.129
XII.	DEFERRED TAX LIABILITY	(8)	-	-	-	1.508	-	1.508
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)	-	2.695.593	2.695.593	-	2.299.503	2.299.503
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	2.695.593	2.695.593	-	2.299.503	2.299.503
XV.	OTHER LIABILITIES		142.892	419.547	562.439	175.204	207.828	383.032
XVI.	SHAREHOLDERS' EQUITY		6.396.916	71.916	6.468.832	6.007.676	123.093	6.130.769
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		1.143	-	1.143	1.150	-	1.150
16.2.1	Share Premium		769	-	769	776	-	776
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		394.881	2.048	396.929	390.557	(765)	389.792
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		76.801	69.868	146.669	101.903	123.858	225.761
16.5	Profit Reserves		2.609.618	-	2.609.618	1.947.077	-	1.947.077
16.5.1	Legal Reserves		381.427	-	381.427	342.716	-	342.716
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		2.149.630	-	2.149.630	1.525.800	-	1.525.800
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		457.430	-	457.430	712.819	-	712.819
16.6.1	Prior Years' Profit/Loss		(21.861)	-	(21.861)	525	-	525
16.6.2	Current Year Profit/Loss		479.291	-	479.291	712.294	-	712.294
16.7	Non-Controlling Interests		57.043	-	57.043	54.170	-	54.170
TOTAL LIABILITIES AND EQUITY			9.193.450	51.975.524	61.168.974	8.549.252	43.881.668	52.430.920

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
AS OF 30 JUNE 2021

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

		Reviewed Current Period 30 June 2021			Audited Prior Period 31 December 2020			
		Section 5 Note III	TL	FC	Total	TL	FC	Total
OFF-BALANCE SHEET								
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8.147.380	67.099.357	75.246.737	7.373.851	60.513.309	67.887.160
I.	GUARANTEES AND COLLATERALS	(1)	453.150	6.216.374	6.669.524	356.057	4.582.781	4.938.838
1.1	Letters of Guarantee		258.108	1.793.267	2.051.375	356.057	1.730.105	2.086.162
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		258.108	1.793.267	2.051.375	356.057	1.730.105	2.086.162
1.2	Bank Acceptances		-	120.922	120.922	-	170.915	170.915
1.2.1	Import Letter of Acceptance		-	120.922	120.922	-	170.915	170.915
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		195.042	4.302.185	4.497.227	-	2.681.761	2.681.761
1.3.1	Documantary Letters of Credit		195.042	4.302.185	4.497.227	-	2.681.761	2.681.761
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1)	1.706.909	6.542.619	8.249.528	1.600.166	5.267.924	6.868.090
2.1	Irrevocable Commitments		1.205.122	656.531	1.861.653	1.050.260	553.382	1.603.642
2.1.1	Forward Asset Purchase and Sale Commitments		37.145	264.412	301.557	9.028	90.102	99.130
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	135.391	135.391	-	127.172	127.172
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		1.167.977	256.728	1.424.705	1.041.232	336.108	1.377.340
2.2	Revocable Commitments		501.787	5.886.088	6.387.875	549.906	4.714.542	5.264.448
2.2.1	Revocable Loan Granting Commitments		501.787	5.886.088	6.387.875	549.906	4.714.542	5.264.448
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5.987.321	54.340.364	60.327.685	5.417.628	50.662.604	56.080.232
3.1	Derivative Financial Instruments for Hedging Purposes		-	18.104.867	18.104.867	-	19.840.766	19.840.766
3.1.1	Fair Value Hedge		-	18.104.867	18.104.867	-	19.840.766	19.840.766
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		5.987.321	36.235.497	42.222.818	5.417.628	30.821.838	36.239.466
3.2.1	Forward Foreign Currency Buy/Sell Transactions		551.104	584.205	1.135.309	551.948	799.850	1.351.798
3.2.1.1	Forward Foreign Currency Transactions-Buy		292.039	278.206	570.245	283.382	393.739	677.121
3.2.1.2	Forward Foreign Currency Transactions-Sell		259.065	305.999	565.064	268.566	406.111	674.677
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		5.334.853	35.277.102	40.611.955	4.710.136	29.887.024	34.597.160
3.2.2.1	Foreign Currency Swap-Buy		428.616	9.032.309	9.460.925	341.717	6.861.632	7.203.349
3.2.2.2	Foreign Currency Swap-Sell		4.591.349	4.377.927	8.969.276	4.368.419	2.576.136	6.944.555
3.2.2.3	Interest Rate Swap-Buy		157.444	10.933.433	11.090.877	-	10.224.628	10.224.628
3.2.2.4	Interest Rate Swap-Sell		157.444	10.933.433	11.090.877	-	10.224.628	10.224.628
3.2.3	Foreign Currency, Interest Rate, and Securities Options		101.364	374.190	475.554	142.970	134.964	277.934
3.2.3.1	Foreign Currency Options-Buy		50.682	187.095	237.777	71.485	67.482	138.967
3.2.3.2	Foreign Currency Options-Sell		50.682	187.095	237.777	71.485	67.482	138.967
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		-	-	-	12.574	-	12.574
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		70.996.256	493.766.507	564.762.763	68.853.512	416.411.119	485.264.631
IV.	ITEMS HELD IN CUSTODY		2.435.163	824.813	3.259.976	3.048.106	276.873	3.324.979
4.1	Customers' Securities Held		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		2.133.809	824.813	2.958.622	2.250.816	276.873	2.527.689
4.3	Checks Received for Collection		248	-	248	248	-	248
4.4	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		301.106	-	301.106	797.042	-	797.042
V.	PLEDGES ITEMS		61.265.077	389.008.347	450.273.424	59.075.249	327.909.736	386.984.985
5.1	Marketable Securities		456.247	-	456.247	456.248	-	456.248
5.2	Guarantee Notes		85.269	1.564.072	1.649.341	80.666	1.616.541	1.697.207
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		8.613.072	108.733.267	117.346.339	8.235.352	89.251.431	97.486.783
5.6	Other Pledged Items		52.110.489	278.711.008	330.821.497	50.302.983	237.041.764	287.344.747
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED BILL OF EXCHANGE AND COLLATERALS		7.296.016	103.933.347	111.229.363	6.730.157	88.224.510	94.954.667
TOTAL OFF BALANCE SHEET ITEMS (A+B)			79.143.636	560.865.864	640.009.500	76.227.363	476.924.428	553.151.791

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH PERIOD THEN
ENDED 30 JUNE 2021

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

		Reviewed Current Period 1 January 2021 – 30 June 2021	Reviewed Prior Period 1 January 2020 – 30 June 2020	Reviewed Current Period 1 April 2021 – 30 June 2021	Reviewed Prior Period 1 April 2020 – 30 June 2020
STATEMENT OF PROFIT OR LOSS		Section 5 Note IV			
I.	INTEREST INCOME	(1)	1.994.365	1.584.299	1.057.302
1.1	Interest on Loans		1.380.870	1.160.076	736.961
1.2	Interest Received from Reserve Deposits		371	-	272
1.3	Interest Received from Banks		10.843	16.068	6.099
1.4	Interest Received from Money Market Placements		171.686	26.554	81.479
1.5	Interest Received from Marketable Securities Portfolio		421.311	373.453	227.590
1.5.1	Fair Value Through Profit or Loss		1.899	797	1.124
1.5.2	Fair Value Through other Comprehensive Income		219.237	222.142	116.291
1.5.3	Measured at Amortized Cost		200.175	150.514	110.175
1.6	Finance Lease Income		4.020	4.346	2.169
1.7	Other Interest Income		5.264	3.802	2.732
II.	INTEREST EXPENSES (-)	(2)	791.350	661.063	412.817
2.1	Interest on Deposits		-	-	-
2.2	Interest on Funds Borrowed		278.218	316.667	146.570
2.3	Interest on Money Market Borrowings		52.328	19.162	34.389
2.4	Interest on Securities Issued		456.383	323.732	231.368
2.5	Leasing Interest Expense		322	110	100
2.6	Other Interest Expense		4.099	1.392	390
III.	NET INTEREST INCOME (I - II)		1.203.015	923.236	644.485
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		76.658	58.644	41.452
4.1	Fees and Commissions Received		86.016	61.168	45.797
4.1.1	Non-cash Loans		13.708	20.126	6.928
4.1.2	Other		72.308	41.042	38.869
4.2	Fees and Commissions Paid (-)		9.358	2.524	4.345
4.2.1	Non-cash Loans		1.619	1.586	816
4.2.2	Other		7.739	938	3.529
V.	DIVIDEND INCOME	(3)	8.243	10.801	4.020
VI.	NET TRADING INCOME	(4)	(3.428)	(10.506)	(32.452)
6.1	Securities Trading Gains / (Losses)		434	1.475	729
6.2	Derivative Financial Instruments Gains / Losses		517.719	134.528	(45.616)
6.3	Foreign Exchange Gains / Losses (Net)		(521.581)	(146.509)	12.435
VII.	OTHER OPERATING INCOME	(5)	201.763	18.319	14.524
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		1.486.251	1.000.494	672.029
IX.	EXPECTED CREDIT LOSSES (-)	(6)	554.445	454.068	236.953
X.	OTHER PROVISION EXPENSES (-)	(6)	65.000	-	35.000
XI.	PERSONNEL EXPENSES (-)		107.263	85.435	55.566
XII.	OTHER OPERATING EXPENSES (-)	(7)	205.837	66.115	34.344
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		553.706	394.876	310.166
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-
XV.	PROFIT / (LOSS) ON EQUITY METHOD		61.966	22.649	24.630
XVI.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		615.672	417.525	334.796
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	136.338	98.549	82.608
18.1	Provision for Current Income Taxes		169.859	197.957	158.542
18.2	Deferred Tax Income Effect (+)		180.395	200.097	66.845
18.3	Deferred Tax Expense Effect (-)		213.916	299.505	142.779
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	479.334	318.976	252.188
XX.	INCOME ON DISCONTINUED OPERATIONS		-	-	-
20.1	Income on Assets Held for Sale		-	-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-
20.3	Income on Other Discontinued Operations		-	-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-
21.1	Loss from Assets Held for Sale		-	-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-
21.3	Loss from Other Discontinued Operations		-	-	-
XXII.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-
23.1	Provision for Current Income Taxes		-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	(10)	479.334	318.976	252.188
25.1	Group's Profit / Loss		479.291	322.757	252.181
25.2	Minority Shares (-)		43	(3.781)	7
	Earning / (loss) per share		0,171	0,115	0,090

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR SIX-MONTH PERIOD THEN ENDED 30 JUNE 2021
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Current Period 1 January 2021 – 30 June 2021	Reviewed Prior Period 1 January 2020 – 30 June 2020
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. CURRENT PERIOD INCOME / LOSS	479.334	318.976
II. OTHER COMPREHENSIVE INCOME	(71.000)	15.492
2.1 Not Reclassified Through Profit or Loss	8.092	10.506
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	8.092	10.506
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Reclassified Through Profit or Loss	(79.092)	4.986
2.2.1 Foreign Currency Translation Differences	12.226	8.279
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(82.624)	(19.498)
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	(25.637)	11.880
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	16.943	4.325
III. TOTAL COMPREHENSIVE INCOME (I+II)	408.334	334.468

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2021

(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
I.	Prior Period – 30 June 2020																	
	Prior Period End Balance		2.800.000	530	-	374	310.599	(1.393)	27.781	20.714	28.010	23.469	1.226.589	704.226	-	5.140.899	38.090	5.178.989
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		2.800.000	530	-	374	310.599	(1.393)	27.781	20.714	28.010	23.469	1.226.589	704.226	-	5.140.899	38.090	5.178.989
IV.	Total Comprehensive Income		-	-	-	-	-	-	10.506	8.279	(15.173)	11.880	-	-	322.757	338.249	(3.781)	334.468
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes		-	2	-	-	-	-	-	-	-	-	17.841	3.049	-	20.892	(1.378)	19.514
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	702.644	(705.819)	-	(3.175)	-	(3.175)
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(3.175)	-	(3.175)	-	(3.175)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	702.644	(702.644)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance		2.800.000	532	-	374	310.599	(1.393)	38.287	28.993	12.837	35.349	1.947.074	1.456	322.757	5.496.865	32.931	5.529.796

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency Translation Differences

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2021

(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 2021																		
I.	Prior Period End Balance		2.800.000	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	712.819	-	6.076.599	54.170	6.130.769
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	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	712.819	-	6.076.599	54.170	6.130.769
IV.	Total Comprehensive Income		-	-	-	-	-	-	8.092	12.226	(65.681)	(25.637)	-	-	479.291	408.291	43	408.334
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		-	(7)	-	-	-	-	-	-	-	-	(32)	580	-	541	2.830	3.371
XI.	Profit Distribution		-	-	-	-	(955)	-	-	-	-	-	662.573	(735.260)	-	(73.642)	-	(73.642)
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(73.551)	-	(73.551)	-	(73.551)
11.2	Transfers to Reserves		-	-	-	-	(955)	-	-	-	-	-	622.573	(621.709)	-	(91)	-	(91)
11.3	Other		-	-	-	-	-	-	-	-	-	-	40.000	(40.000)	-	-	-	-
Period-End Balance			2.800.000	769	-	374	341.470	1.392	54.067	52.078	9.333	85.258	2.609.618	(21.861)	479.291	6.411.789	57.043	6.468.832

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Translation Differences

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2021
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Reviewed Current Period 30 June 2021	Reviewed Prior Period 30 June 2020
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.840.424	1.234.106
1.1.1 Interest Received		1.745.357	1.414.704
1.1.2 Interest Paid		(688.935)	(560.285)
1.1.3 Dividends Received		8.243	10.801
1.1.4 Fees and Commissions Received		86.016	61.168
1.1.5 Other Income		65.200	18.790
1.1.6 Collections from Previously Written off Loans		94.189	28.900
1.1.7 Payments to Personnel and Service Suppliers		(139.302)	(113.557)
1.1.8 Taxes Paid		(120.264)	(58.982)
1.1.9 Others		789.920	432.567
1.2 Changes in Operating Assets and Liabilities		(1.487.502)	762.223
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		5.096	(1.030)
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		(1.305.752)	612.879
1.2.4 Net (Increase) (Decrease) in Other Assets		(167.391)	643.431
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		525.726	(767.037)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		(545.181)	273.980
I. Net Cash Provided by / (used in) Banking Operations		352.922	1.996.329
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by / (used in) Investing Activities		(117.646)	(136.475)
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		15.816	-
2.3 Purchases of Property and Equipment		(7.507)	(1.870)
2.4 Disposals of Property and Equipment		119	260
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(915.716)	(896.987)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		629.023	877.658
2.7 Purchase of Financial Assets Measured at Amortized Cost		-	(108.212)
2.8 Sale of Financial Assets Measured at Amortized Cost		162.446	1.577
2.9 Others		(1.827)	(1.199)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by / (used in) Financing Activities		191.221	(185.486)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		3.119.669	2.345.479
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.853.257)	(2.529.470)
3.3 Capital Increase		-	-
3.4 Dividends Paid		(73.551)	(134)
3.5 Payments for Financial Leases		(1.640)	(1.361)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		24.060	55.552
V. Net Increase / (Decrease) in Cash and Cash Equivalents		450.557	1.729.920
VI. Cash and Cash Equivalents at Beginning of the Period		1.864.624	779.802
VII. Cash and Cash Equivalents at End of the Period		2.315.181	2.509.722

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

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

The accounting policies and valuation principles used in the 2021 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 consolidated financial statements and footnotes have been prepared in accordance with the "Communique' on Publicly Announced Financial Statements Explanations and notes to the Financial Statements" and "Communique on Disclosures About Risk Management to be Announced to Public by Banks."

The amounts in the financial statements and related explanations and notes are expressed in thousands of Turkish Lira unless otherwise stated.

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 Parent 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 2021 and considering the magnitude of the economic changes occurred due to COVID-19, the Parent Bank made estimates in the calculation of expected credit losses and disclosed these in footnote IX "Disclosures on impairment of financial assets". In the coming periods, the Parent Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (Continued)

1.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.

Changes in accounting policies and disclosures

TAS / TFRS changes, which entered into force as of 1 January 2021, do not have a significant effect on the accounting policies, financial status and performance of the Bank. TAS and TFRS changes, which were published but not put into effect as of the final date of the financial statements, will not have a significant effect on the accounting policies, financial status and performance of the Bank.

In addition, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, was published in December 2020, effective from 1 January 2021, and early implementation of the changes is allowed. With the amendments made, certain exceptions are provided for the basis used in determining contractual cash flows and hedge accounting provisions. The effects of the changes on the The Bank's financials have been evaluated and it has been concluded that there is no need for early application. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's work continues within the scope of adaptation to the changes.

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

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

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

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

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

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Group and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate and cross currency 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 and cross currency swaps are recognized under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard. The Group performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

III. Explanations on associates and subsidiaries

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

IV. Explanations on forward and option contracts and derivative instruments

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

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

In the initial design of a derivative financial instrument as a hedge, the Parent Bank explains in writing the relationship between the hedged item and the hedging instrument, the risk management objectives and strategies of the relevant hedging transaction and the methods to measure the effectiveness of the hedging. . The Parent Bank evaluates whether the hedging method is effective on the changes in the expected fair values of the related instruments during the period in which the method is applied or whether the effectiveness of each hedge in its actual results is between 80% - 125% at the beginning of the related association and in the ongoing process.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2021

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on associates and subsidiaries

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

VI. Explanations on interest income and expenses

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

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

Interest income and expenses are reflected in the records with their fair values and are accounted on an accrual basis, using the effective interest method (the rate that equates the future cash flows of the financial asset or liability to its current net book value), considering the current principal amount.

VII. Explanations on fees and commission income and expenses

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

VIII. Explanations on financial assets

Initial recognition of financial instruments

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (Continued)

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.

Assessment of business model

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Financial assets held under this business model are accounted for at fair value through other comprehensive income if the contractual terms of the financial asset pass the cash flow test, which includes only the principal and interest payments on the principal balance on certain dates.

- 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.

Contractual cash flows that include only principal and interest payments on the principal balance

In accordance with TFRS 9, if a financial asset is held under a business model that aims to collect contractual cash flows or a business model that aims to collect contractual cash flows and sell Financial assets, that Financial asset is classified on the basis of the characteristics of the contractual cash flows. In a basic lending agreement, the time value of money and the cost of credit risk are often the most important elements of interest. Judgment is used to assess whether that element simply pays for the passage of time, taking into account relevant factors such as the currency in which the financial asset is expressed and the period in which the interest rate applies. Where the terms of the contract begin to expose it to risks or volatility of cash flows that are inconsistent with a core lending agreement, the financial asset is measured at fair value through profit or loss.

Measurement categories of financial assets and liabilities

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

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

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

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. The Parent Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/ loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as “interest income” in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under “trading account income/losses” in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under “trading account income/losses”.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. 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 Turk Telekom's issued capital, pledged in favor of the creditors, were completed on 21 December 2018, by LYY Telekomünikasyon A.Ş. (formerly known as Levent Yapılandırma Yönetimi A.Ş.) which was established as a privately-owned company and all creditors are direct or indirect shareholders. The Bank has a share of 1,617% in LYY Telekomünikasyon A.Ş., which is the share of OTAŞ receivables.

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. This amount is presented under "Property and Equipment Held for Sale and Related to Discontinued Operations" in the financial statements. As of 30 June 2021, 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 219.913 and the total amount is classified under "Financial Assets at Fair Value Through Profit and Loss".

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

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

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

d. Loans

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

d. Loans (continued)

Turkish Lira (“TL”) cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency (“FC”) cash loans are composed of investment loans, export financing loans and working capital loans.

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

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

IX. Explanations on impairment of financial assets

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

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

Calculation of expected credit losses

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

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

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

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

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

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

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

Stage 1:

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

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. The classification method is applied according to the decision of the BRSA dated 27 March 2020 and numbered 8970 and the decision dated 8 December 2020 and numbered 9312.

Stage 3:

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

As a result of the BRSA's decisions numbered 8948 dated 17 March 2020 and numbered 8970 dated 27 March 2020, due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, the Procedure Regarding the Classification of Loans and Provisions to be Set aside for them, effective from 17 March 2020. Implementation of the 90-day delay period of 180 days for the non-performing loans classification within the scope of Articles 4 and 5 of the Regulation on Principles and Principles; With the decision numbered 9624 dated 17 June 2021, the opportunity was provided until 30 September 2021. In addition, the Bank allocates provisions for customers in these groups with a delay of more than 30 and 90 days, according to risk policies and models, in which the conditions of the borrower are also evaluated.

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

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

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ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

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

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

Based on the decision of BRSA numbered 8948 dated 17 March 2020 and numbered 8970 dated 27 March 2020, due to the disruptions in economic and commercial activities as a result of the COVID-19 outbreak, effective as of 17 March 2020, Regarding the Classification of Loans and Provisions to be Set aside for These, within the scope of Articles 4 and 5 of the Regulation on Procedures and Principles, the application of the 30-day period envisaged for the classification as Stage 2 as 90 days was provided until 30 September 2021 with the decision numbered 9624 dated 17 June 2021. 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 “Garam 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. With the Board's decision dated 17 June 2021 and numbered 9624, the implementation period of the said regulation was extended until 30 September 2021.

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 2021, 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, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

c. Reclassification of financial instruments

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

d. Restructuring and refinancing of financial instruments

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

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

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 in accordance with the legislation 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

XII. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entry remains committed to its plan to sell the asset (or disposal group). As of 30 June 2021, 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.

XIII. Explanations on goodwill and other intangible assets

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on goodwill and other intangible assets (Continued)

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

XIV. Explanations on tangible assets

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

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

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

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

Investment Properties

Investment properties are real estate held to earn rent income, gain in value or both. An investment property is recognized as an asset if it is probable that future economic benefits related to the property will be available to operate and the cost of the investment property can be reliably measured. The fair value model has been chosen for valuation of investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Regarding investment properties, due to the coronavirus (COVID-19) global epidemic, a series of measures have been taken to protect the public health, starting from March 2020, covering the employees, visitors and tenants of Shopping Centers and Hotels in the Group portfolio.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions

TFRS 16 Leases

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

Right-of-use assets

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

The cost of right-of-use assets includes:

- (a) the amount of lease liabilities recognised,
- (b) lease payments made at or before the commencement date less any lease incentives received.
- (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.

Lease payments included in the measurement of the lease liability at the actual commencement date, to be made for the right of use during the lease period of the underlying asset and where the lease actually commences.

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) if the lease term reflects the Company / the Group exercising the option to terminate.
- e) 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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions (continued)

TFRS 16 Leases (continued)

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

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. Concessions Continuing in Lease Payments Regarding COVID-19 After 30 June 2021 - "Changes in TFRS 16" was published in the Official Gazette dated 7 April 2021 and numbered 31447. With this change, tenants are exempted from the concessions granted to tenants due to COVID-19 in rent payments, not to assess whether there is a change in the lease. This change did not have a significant impact on the financial status or performance of the Parent Bank. However, due to the high level of the epidemic, on 7 April 2021, the POA decided to extend the exemption to include concessions that caused a reduction in lease payments that expired on or before 30 June 2022. This change did not have a significant impact on the financial status or performance of the Bank.

Short-term leases and leases of low-value assets

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

The Group as Lessor

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

The Group as Lessee

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

XVII. Explanations on liabilities regarding employee benefits

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021. There is no need for technical or actual deficit to book provision as of 31 December 2020. In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

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. Article 14 of the Law on the Amendment of the Law on Collection of Public Claims and Certain Laws, which was submitted to the Grand National Assembly of Turkey on 2 April 2021, will be issued as of 1 July 2021, with its publication in the Official Gazette dated 22 April 2021 and numbered 31462. Starting from the required declarations and being valid for the corporate earnings for the taxation period starting from 1 January 2021, 25% for 2021 and 23% for 2022 corporate earnings (31 December 2020: 22%).

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.

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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.

XIX. Additional explanations on borrowings

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

XX. Explanations on share certificates issued

In the meeting of the General Assembly held on 25 March 2021, it has been resolved that the Parent Bank has no capital increase.

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

XXI. Explanations on acceptances

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

XXII. Explanations on government incentives

The Parent Bank does not use government incentives.

XXIII. Explanations on segment reporting

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

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.

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ACCOUNTING POLICIES (Continued)

XXIII. Explanations on segment reporting (continued)

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	582.468	600.777	19.770	1.203.015
Net Fees and Commission Income	13.627	21.930	41.101	76.658
Other Income	-	4.121	264.423	268.544
Other Expense	(634.817)	(14.318)	(283.410)	(932.545)
Profit Before Tax	(38.722)	612.510	41.884	615.672
Tax Provision				(136.338)
Net Profit				479.334
Group's profit / loss				479.291
Minority share profit / loss				43
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	44.507.177	12.693.413	3.276.432	60.477.022
Investment in Associates and Subsidiaries	-	-	691.952	691.952
Total Assets	44.507.177	12.693.413	3.968.384	61.168.974
Segment Liabilities	49.762.516	1.734.228	3.203.398	54.700.142
Shareholders' Equity	-	-	6.468.832	6.468.832
Total Liabilities	49.762.516	1.734.228	9.672.230	61.168.974

Prior Period(*)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	481.606	434.619	7.011	923.236
Net Fees and Commission Income	20.246	9.376	29.022	58.644
Other Income	-	-	51.769	51.769
Other Expense	(443.681)	(6.250)	(166.193)	(616.124)
Profit Before Tax	58.171	437.745	(78.391)	417.525
Tax Provision				(98.549)
Net Profit				318.976
Group's profit / loss				322.757
Minority share profit / loss				(3.781)
Prior Period (**)	Kurumsal Bankacılık	Yatırım Bankacılığı	Diğer	Toplam
Segment Assets	37.634.445	11.297.445	2.847.188	51.779.078
Investment in Associates and Subsidiaries	-	-	651.842	651.842
Total Assets	37.634.445	11.297.445	3.499.030	52.430.920
Segment Liabilities	42.617.741	1.045.241	2.637.169	46.300.151
Shareholders' Equity	-	-	6.130.769	6.130.769
Total Liabilities	42.617.741	1.045.241	8.767.938	52.430.920

(*) Includes information on 30 June 2020.

(**) Includes information on 31 December 2020.

XXIV. Explanations on other matters

Classifications

Within the scope of the Regulation on the Uniform Chart of Accounts effective as of 1 January 2021, the guarantees given for derivative transactions with foreign banks, which are shown under the item "Other Assets", started to be followed under the "Banks" item in accordance with the changes made.

This change did not have a significant impact on the financial status or performance of the Bank as at 31 December 2020 and 30 June 2021.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to consolidated shareholders' equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of 30 June 2021, the capital adequacy ratio of Bank has been calculated as 18,21% (31 December 2020: 19,37%).

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 yearend 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 nonmonetary 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; with the decision dated 8 December 2020 and numbered 9312, the Central Bank of the last 252 business days before the calculation date enabled the use of the simple arithmetic average of the foreign exchange buying rates. In addition, based on the decision dated 23 March 2020, 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.

	Consolidated Current Period	Consolidated Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	769	776
Reserves	2.609.618	1.947.077
Other comprehensive income according to TAS	631.639	706.649
Profit	457.430	712.819
Current Period Profit	479.291	712.294
Prior Period Profit	(21.861)	525
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	57.043	54.170
Core Equity Tier 1 Capital Before Deductions	6.556.873	6.221.865
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	88.041	91.096
Leasehold improvements on operational leases	1.587	1.650
Goodwill (net of related tax liability)	1.005	1.005
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.932	4.061
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(continued)

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

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	54.588	62.518
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	-	-
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	149.153	160.330
Core Equity Tier I Capital	6.407.720	6.061.535
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	6.407.720	6.061.535
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	2.604.750	2.200.500
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	600.793	518.126
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
Tier II Capital Before Deductions	3.205.543	2.718.626
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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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
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I. Explanations related to consolidated shareholders' equity (continued)

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3.205.543	2.718.626
Total Capital (The sum of Tier I Capital and Tier II Capital)	9.613.263	8.780.161
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)	9.613.263	8.780.161
Total Risk Weighted Assets	52.777.402	45.335.598
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12,14	13,37
Consolidated Tier I Capital Adequacy Ratio (%)	12,14	13,37
Consolidated Capital Adequacy Ratio (%)	18,21	19,37
BUFFERS		
Total buffer requirement (a+b+c)	2,511	2,510
(a) Capital conservation buffer requirement (%)	2,500	2,500
(b) Bank specific counter-cyclical buffer requirement (%)	0,011	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	6,14	7,37
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	640.526	606.988
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	1.354.682	1.042.535
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	600.793	518.126
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

Details on Subordinated Liabilities

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, 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 CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated currency risk

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

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

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

	1 US Dollar	1 Euro
The Parent Bank's "Foreign Exchange Valuation Rate"		
31 March 2021	8,6825	10,3352
<u>Prior Five Workdays:</u>		
30 March 2021	8,6385	10,2959
29 March 2021	8,6965	10,3720
26 March 2021	8,6565	10,3352
25 March 2021	8,6150	10,2712
24 March 2021	8,5975	10,2493

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 8,5789 and 10,3357 respectively.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	562.180	723.290	-	1.285.470
Banks	162.450	419.132	5.145	586.727
Financial Assets at Fair Value Through Profit or Loss (1)	107.984	488.645	631	597.260
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	101.939	3.024.929	-	3.126.868
Loans (2)	19.500.517	22.340.741	-	41.841.258
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	424.884	-	424.884
Derivative Financial Assets for Hedging Purposes (5)	-	293.970	-	293.970
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	74.802	159.570	8	234.380
Total Assets	20.509.872	27.875.161	5.784	48.390.817
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	535.578	158.813	-	694.391
Funds Provided From Other Financial Institutions	15.086.640	22.510.854	-	37.597.494
Marketable Securities Issued (4)	-	12.623.020	-	12.623.020
Miscellaneous Payables	28.062	388.122	882	417.066
Derivative Financial Liabilities for Hedging Purposes (5)	-	4	-	4
Other Liabilities (6)	171.884	203.794	351	376.029
Total Liabilities	15.822.164	35.884.607	1.233	51.708.004
Net Balance Sheet Position	4.687.708	(8.009.446)	4.551	(3.317.187)
Net Off-Balance Sheet Position	(4.236.635)	8.697.934	(2.595)	4.458.704
Financial Derivative Assets	1.433.869	10.663.038	141.469	12.238.376
Financial Derivative Liabilities	(5.670.504)	(1.965.104)	(144.064)	(7.779.672)
Non-Cash Loans (7)	2.377.765	3.739.755	98.854	6.216.374
Prior Period				
Total Assets	17.199.913	23.239.130	4.977	40.444.020
Total Liabilities	14.597.175	28.900.281	652	43.498.108
Net Balance Sheet Position	2.602.738	(5.661.151)	4.325	(3.054.088)
Net Off –Balance Sheet Position	(2.209.458)	6.268.198	(2.333)	4.056.407
Financial Derivative Assets	1.479.327	7.944.254	149.341	9.572.922
Financial Derivative Liabilities	(3.688.785)	(1.676.056)	(151.674)	(5.516.515)
Non-Cash Loans (7)	1.875.631	2.705.274	1.876	4.582.781

(1) Exchange rate differences arising from derivative transactions amounting to TL 74.821 is deducted from "Financial Assets at Fair Value Through Profit or Loss".

(2) Loans include TL 1.359.477 foreign currency indexed loans, TL 243.304 financial lease receivables, TL 968.843 non-performing loans, and TL (383.813) credit-impaired losses (Stage III / Special Provision).

(3) Prepaid expenses amounting to TL 3.628 Forward foreign exchange purchase transaction rediscounts amounting to TL 71 " 12 months expected credit loss for other assets amounting to TL (2.441) 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 (98.641) is deducted from " Derivative Financial Assets for Hedging Purposes ".

(6) Exchange rate differences arising from derivative transactions amounting to TL 59.947, Forward foreign exchange buying transaction rediscounts amounting to TL 29 and other provisions amounting to TL 36.988 have not been included in "Other Liabilities".

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

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

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

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

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	23.546	-	-	-	-	1.285.784	1.309.330
Banks (2)	320.304	26.125	62.307	-	-	263.165	671.901
Financial Assets at Fair Value Through Profit and Loss (3)	238.794	297.438	403.027	343.695	298.287	11.688	1.592.929
Money Market Placements (2)	501.425	783.893	387.802	-	-	-	1.673.120
Financial Assets at Fair Value through Other Comprehensive Income (2)	303.828	284.356	858.719	2.375.283	1.302.866	211.154	5.336.206
Loans (2)	10.642.868	6.973.113	14.726.754	9.661.833	3.850.461	-	45.855.029
Financial Assets Measured at Amortized Cost (2)	121.420	1.188.510	1.264.226	-	424.884	-	2.999.040
Other Assets (2)	-	-	-	64.403	-	1.667.016	1.731.419
Total Assets	12.152.185	9.553.435	17.702.835	12.445.214	5.876.498	3.438.807	61.168.974
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	951.998	20.074	-	-	-	-	972.072
Miscellaneous Payables	-	-	-	-	-	436.474	436.474
Marketable Securities Issued (4)	408.917	333.283	2.604.751	9.518.509	-	875.652	13.741.112
Funds Provided from Other Financial Institutions	4.040.541	9.849.846	17.230.043	5.385.465	1.672.789	-	38.178.684
Other Liabilities	15.463	26.405	75.189	303.134	199.709	7.220.732	7.840.632
Total Liabilities	5.416.919	10.229.608	19.909.983	15.207.108	1.872.498	8.532.858	61.168.974
Balance Sheet Long Position	6.735.266	-	-	-	4.004.000	-	10.739.266
Balance Sheet Short Position	-	(676.173)	(2.207.148)	(2.761.894)	-	(5.094.051)	(10.739.266)
Off-Balance Sheet Long Position	124.829	-	2.591.855	2.701.729	437.400	-	5.855.813
Off-Balance Sheet Short Position	-	(2.871.579)	-	-	-	-	(2.871.579)
Total Position	6.860.095	(3.547.752)	384.707	(60.165)	4.441.400	(5.094.051)	2.984.234

(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 shown on the other assets, non-interest bearing.

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	2.167	-	-	-	-	1.021.462	1.023.629
Banks (2)	291.468	7.699	-	-	-	130.298	429.465
Financial Assets at Fair Value Through Profit and Loss (3)	56.769	396.449	350.681	439.451	360.680	16.327	1.620.357
Money Market Placements (2)	629.842	424.011	370.316	-	-	-	1.424.169
Financial Assets at Fair Value through Other Comprehensive Income (2)	59.691	432.106	795.592	1.738.026	1.407.390	169.334	4.602.139
Loans (2)	7.464.804	7.050.284	12.214.527	8.837.365	3.057.190	-	38.624.170
Financial Assets Measured at Amortized Cost (2)	418.781	1.114.854	1.186.267	-	363.157	-	3.083.059
Other Assets (2)	-	-	-	64.403	-	1.559.529	1.623.932
Total Assets	8.923.522	9.425.403	14.917.383	11.079.245	5.188.417	2.896.950	52.430.920
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.390.126	-	-	-	-	-	1.390.126
Miscellaneous Payables	-	-	-	-	-	250.136	250.136
Marketable Securities Issued (4)	367.102	99.003	2.221.421	7.684.218	-	390.145	10.761.889
Funds Provided from Other Financial Institutions	3.379.740	8.256.569	13.991.241	4.988.413	1.716.247	-	32.332.210
Other Liabilities	78.372	79.371	111.913	395.486	242.727	6.788.690	7.696.559
Total Liabilities	5.215.340	8.434.943	16.324.575	13.068.117	1.958.974	7.428.971	52.430.920
Balance Sheet Long Position	3.708.182	990.460	-	-	3.229.443	-	7.928.085
Balance Sheet Short Position	-	-	(1.407.192)	(1.988.872)	-	(4.532.021)	(7.928.085)
Off-Balance Sheet Long Position	-	-	104.896	3.963.537	428.714	-	4.497.147
Off-Balance Sheet Short Position	(2.186.674)	(2.197.706)	-	-	-	-	(4.384.380)
Total Position	1.521.508	(1.207.246)	(1.302.296)	1.974.665	3.658.157	(4.532.021)	112.767

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

(2) Expected credit losses for stage 1 and stage 2 are shown on the other assets, non-interest bearing..

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

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

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	13,50
Banks	1,00	1,89	-	19,54
Financial Assets at Fair Value through Profit and Loss (2)	-	4,34	-	17,38
Money Market Placements	-	-	-	19,34
Financial Assets at Fair Value through Other Comprehensive Income	2,68	5,11	-	15,32
Loans	4,62	5,50	-	18,44
Financial Asset Measured at Amortized Cost	-	5,60	-	14,48
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,11	0,26	-	15,43
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	4,56	-	19,15
Borrower Funds	0,10	0,20	-	15,00
Funds Provided From Other Financial Institutions	1,06	1,42	-	17,02

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

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

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	12,00
Banks	1,64	1,11	-	16,57
Financial Assets at Fair Value Through Profit and Loss (2)	-	4,34	-	13,91
Money Market Placements	-	-	-	17,15
Financial Assets at Fair Value through Other Comprehensive Income	2,68	5,19	-	11,91
Loans	4,70	5,57	-	15,35
Financial Asset Measured at Amortized Cost	-	5,60	-	13,31
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,12	0,26	-	17,08
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	4,29	-	16,33
Borrower Funds	0,10	0,20	-	12,50
Funds Provided From Other Financial Institutions	1,06	1,49	-	11,81

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

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

IV. Explanations related to consolidated stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	579.294	-	756.418
Quoted	579.294	-	756.418

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	559.300	-	1.075.082
Quoted	559.300	-	1.075.082

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

Equity shares risk due from banking book (continued)

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

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	81.063	81.063	-	-	-
Other Share Certificates	-	98.140	98.140	-	-	-
Total	-	179.203	179.203	-	-	-

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	106.442	106.442	-	-	-
Other Share Certificates	-	91.277	91.277	-	-	-
Total	-	197.719	197.719	-	-	-

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

Consolidated liquidity risk management and coverage ratio

1. Explanations related to the consolidated liquidity risk:

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

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

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

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

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. 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 Parent Bank. The Parent Bank continues to manage LCR within the framework of risk appetite by keeping its high quality liquid assets at a sufficient level.

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. Reporting to the agency started as of 1 January 2021.

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 consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries

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

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

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

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

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

1.d Information on consolidated liquidity risk mitigation techniques:

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

1.e Information on the use of stress tests

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

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

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

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

2. Consolidated Liquidity Coverage Ratio

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

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
30/04/2021	290	240	187	193
31/05/2021	147	146	177	197
30/06/2021	230	206	231	246

	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
Current Period				
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			5.281.961	3.113.182
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	3.206.950	2.573.099	2.711.219	2.088.375
6 Operational deposits	102.619	91.308	25.655	22.827
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	3.104.331	2.481.791	2.685.564	2.065.548
9 Secured funding			-	-
10 Other Cash Outflows	371.511	451.597	371.511	451.597
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	189.796	269.882	189.796	269.882
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	181.715	181.715	181.715	181.715
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	30.998.901	26.533.941	1.549.945	1.326.697
15 Other irrevocable or conditionally revocable commitments	13.595.222	11.877.015	1.737.822	1.334.117
16 TOTAL CASH OUTFLOWS			6.370.497	5.200.786
CASH INFLOWS				
17 Secured Lending Transactions	1.143	-	-	-
18 Unsecured Lending Transactions	4.299.775	2.816.285	3.430.604	2.303.832
19 Other contractual cash inflows	146.730	1.732.059	146.730	1.732.059
20 TOTAL CASH INFLOWS	4.447.648	4.548.344	3.577.334	4.035.891
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			5.281.961	3.113.182
22 TOTAL NET CASH OUTFLOWS			2.793.163	1.300.197
23 LIQUIDITY COVERAGE RATIO (%)			189,10	239,44

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(Continued)

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

2. Consolidated 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			4.997.117	2.944.963
CASH OUTFLOWS				
2 Retail and Customers Deposits	1	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	1	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.593.631	1.878.008	2.083.257	1.410.253
6 Operational deposits	78.520	69.244	19.630	17.311
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.515.111	1.808.764	2.063.627	1.392.942
9 Secured funding			-	-
10 Other Cash Outflows	406.530	527.005	406.530	527.005
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	214.319	334.794	214.319	334.794
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	192.211	192.211	192.211	192.211
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	29.416.447	24.952.180	1.470.822	1.247.609
15 Other irrevocable or conditionally revocable commitments	11.730.238	10.185.318	1.553.237	1.204.620
16 TOTAL CASH OUTFLOWS			5.513.846	4.389.487
CASH INFLOWS				
17 Secured Lending Transactions	3.792	-	-	-
18 Unsecured Lending Transactions	3.659.852	1.613.304	2.821.122	1.062.396
19 Other contractual cash inflows	123.933	1.915.001	123.933	1.915.001
20 TOTAL CASH INFLOWS	3.787.577	3.528.305	2.945.055	2.977.397
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			4.997.117	2.944.963
22 TOTAL NET CASH OUTFLOWS			2.568.791	1.412.090
23 LIQUIDITY COVERAGE RATIO (%)			195	209

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(Continued)

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

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

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

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

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 28%. 5% of the Parent Bank's total funding is provided from repurchase agreements.

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

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

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	18	1.309.310	-	-	-	-	2	1.309.330
Banks	263.164	320.304	26.125	62.308	-	-	-	671.901
Financial Assets at Fair Value Through Profit and Loss (3)	11.688	564.329	516.402	494.631	5.879	-	-	1.592.929
Money Market Placements	-	501.425	783.893	387.802	-	-	-	1.673.120
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	181.686	866.383	2.690.929	1.386.054	211.154	5.336.206
Loans	-	3.905.213	2.432.274	8.582.245	21.326.240	9.609.057	-	45.855.029
Financial Assets Measured at Amortized Cost	-	-	-	685.597	1.767.139	546.304	-	2.999.040
Other Assets (2)	-	54.621	46.951	737.863	150.487	-	741.497	1.731.419
Total Assets	274.870	6.655.202	3.987.331	11.816.829	25.940.674	11.541.415	952.653	61.168.974
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	2.131.282	864.551	4.323.535	16.333.283	14.526.033	-	38.178.684
Money Market Borrowings	-	972.072	-	-	-	-	-	972.072
Marketable Securities Issued (4)	-	463.538	330.369	3.278.210	9.668.995	-	-	13.741.112
Miscellaneous Payables	-	-	-	-	-	-	436.474	436.474
Other Liabilities	-	267.166	140.176	197.891	14.667	-	7.220.732	7.840.632
Total Liabilities	-	3.834.058	1.335.096	7.799.636	26.016.945	14.526.033	7.657.206	61.168.974
Liquidity Excess / Gap	274.870	2.821.144	2.652.235	4.017.193	(76.271)	(2.984.618)	(6.704.553)	-
Net Off-balance Sheet Position	-	79.661	(1.279)	265.806	(27.546)	4.685	-	321.327
Financial Derivative Assets	-	4.325.881	2.577.003	6.365.150	13.838.683	3.217.789	-	30.324.506
Financial Derivative Liabilities	-	4.246.220	2.578.282	6.099.344	13.866.229	3.213.104	-	30.003.179
Non-cash Loans	-	119.855	1.227.837	3.346.337	635.584	1.080.963	258.948	6.669.524
Prior Period								
Total Assets	146.643	5.893.052	3.540.606	7.272.320	23.819.125	10.462.842	1.296.332	52.430.920
Total Liabilities	-	2.638.638	977.505	7.739.996	21.366.667	12.669.288	7.038.826	52.430.920
Liquidity Excess / Gap	146.643	3.254.414	2.563.101	(467.676)	2.452.458	(2.206.446)	(5.742.494)	-
Net Off-balance Sheet Position	-	(64.216)	117.953	(72.020)	46.037	7.774	-	35.528
Financial Derivative Assets	-	1.986.891	2.085.736	5.536.697	15.268.806	3.179.750	-	28.057.880
Financial Derivative Liabilities	-	2.051.107	1.967.783	5.608.717	15.222.769	3.171.976	-	28.022.352
Non-cash Loans	-	260.744	336.541	2.535.054	525.831	978.073	302.595	4.938.838

(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 shown on the other assets, undistributed.

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Explanations related to consolidated leverage ratio

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

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

Leverage ratio of the Bank calculated from the arithmetic average of the three months is 8.86% (31 December 2020: 9,41%). Total balance sheet assets increased by 13.20% compare to prior period.

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

		Current Period	Prior Period
1	Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (2)	52.430.294	42.775.864
2	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (2)	(8.738.680)	(9.655.056)
3	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	(361.582)	(1.833.533)
4	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	1.473.155	1.200.339
5	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	(5.612.856)	(4.895.145)
6	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	-	-
7	Total Exposures (1)	71.386.488	63.317.246

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

(2) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the communiqué on preparation of consolidated financial statements of the Banks. Consolidated financial statements prepared in accordance with TAS are of 30 June 2021 and 31 December 2020 figures are used for prior period.

c) Consolidated Leverage Ratio

		Current Period (1)	Prior Period (1)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	60.573.168	53.546.721
2	(Assets deducted from Core Capital)	(94.367)	(118.123)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	60.478.801	53.428.598
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	1.235.619	1.428.393
5	Potential credit risk amount of derivative financial assets and credit derivatives	444.107	405.140
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	1.679.726	1.833.533
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	729.834	477.433
8	Risk amount arising from intermediary transactions	175.799	208.372
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	905.633	685.805
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	13.935.184	12.264.455
11	(Correction amount due to multiplication with credit conversion rates)	(5.612.856)	(4.895.145)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	8.322.328	7.369.310
	Capital and total risk		
13	Core Capital	6.327.345	5.956.713
14	Total risk amount (sum of lines 3, 6, 9 and 12)	71.386.488	63.317.246
	Leverage ratio		
15	Leverage ratio	8,86%	%9,41

(1) Footnote format is prepared by taking 3-month average amounts according to BRSA regulations.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
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VII. Explanations related to consolidated risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VII. Explanations related to consolidated risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	44.324.851	38.155.032	3.545.988
2	Standardised approach	44.324.851	38.155.032	3.545.988
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	2.137.279	1.777.595	170.982
5	Standardised approach for counterparty credit risk	2.137.279	1.777.595	170.982
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	1.431.563	1.359.488	114.525
17	Standardised approach	1.431.563	1.359.488	114.525
18	Internal model approaches	-	-	-
19	Operational risk	3.282.394	2.526.013	262.592
20	Basic indicator approach	3.282.394	2.526.013	262.592
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.601.315	1.517.470	128.105
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	52.777.402	45.335.598	4.222.192

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VII. Explanations related to consolidated risk management (continued)

Credit quality of assets

Current Period	The gross amount evaluated in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	1.747.166	53.331.775	2.192.006	52.886.935
2 Debt Securities	-	8.204.961	52.059	8.152.902
3 Off-balance sheet exposures	4.430	14.956.051	41.437	14.919.044
4 Total	1.751.596	76.492.787	2.285.502	75.958.881

Prior Period	The gross amount evaluated in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	1.689.788	44.874.678	1.763.730	44.800.736
2 Debt Securities	-	7.549.482	30.031	7.519.451
3 Off-balance sheet	4.430	11.835.680	33.182	11.806.928
4 Total	1.694.218	64.259.840	1.826.943	64.127.115

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	1.694.228
2	Loans and debt securities that have defaulted since the last reporting period	16.300
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	41.068
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)	1.751.596

Prior Period		Balance
1	Defaulted loans and debt securities at end of the previous reporting period	1.110.736
2	Loans and debt securities that have defaulted since the last reporting period	443.178
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	140.304
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4±5)	1.694.218

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management (continued)

Credit risk mitigation techniques - Standard approach

	Current Period	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	49.917.715	2.346.741	1.375.192	496.403	273.620	-	-
2	Debt securities	8.188.978	-	-	-	-	-	-
3	Total	58.106.693	2.346.741	1.375.192	496.403	273.620	-	-
4	Of which defaulted	1.747.166	-	-	-	-	-	-

	Prior Period	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	41.770.396	2.888.533	1.857.223	114.347	96.653	-	-
2	Debt securities	7.549.281	-	-	-	-	-	-
3	Total	49.319.677	2.888.533	1.857.223	114.347	96.653	-	-
4	Of which defaulted	1.689.788	-	-	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management (continued)

Credit risk mitigation techniques- Standard approach (continued)

Credit risk exposure and credit risk mitigation effects

	Curent Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		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	8.916.834	217.655	8.971.337	43.531	-	%0
2	Exposures to regional and local governments	3.000	-	600	-	300	%50
3	Exposures to administrative bodies and noncommercial entities	-	19.812	-	3.962	3.962	%100
4	Exposures to multilateral development banks	69.967	-	69.967	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	3.597.978	515.974	3.171.634	49.975	1.200.660	%37
7	Exposures to corporates	38.385.041	38.115.959	38.330.538	4.825.441	40.223.241	%93
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.369.818	6.315	1.369.818	6.315	688.067	%50
11	Past due receivables	1.638.567	-	799.625	-	655.601	%82
12	Exposures in higher-risk categories	55.400	955.460	55.401	48.768	155.733	%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	34.329	-	34.329	-	34.329	%100
16	Other exposures	1.229.550	392.244	1.010.334	120.353	1.130.667	%100
17	Equity Investments	872.817	-	872.817	-	1.833.606	%210
18	Total	56.173.301	40.223.419	54.686.400	5.098.345	45.926.166	%77

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VII. Explanations related to consolidated risk management (continued)

Credit risk mitigation techniques- Standard approach (continued)

Credit risk exposure and credit risk mitigation effects (continued)

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		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	8.391.903	260.036	8.488.557	52.007	-	%0
2	Exposures to regional and local governments	3.000	-	600	-	300	%50
3	Exposures to administrative bodies and noncommercial entities	373	71.154	75	14.231	14.306	%100
4	Exposures to multilateral development banks	17.725	-	17.725	-	-	
5	Exposures to international organizations	-	-	-	-	-	
6	Exposures to banks and securities firms	3.904.207	362.384	3.165.594	23.698	1.090.801	%38
7	Exposures to corporates	32.850.329	34.971.333	32.753.631	3.900.007	34.189.147	%93
8	Retail exposures	-	-	-	-	-	
9	Exposures secured by residential real estate property	-	-	-	-	-	
10	Exposures secured by commercial real estate property	1.636.859	6.315	1.636.859	6.315	821.587	%50
11	Past due receivables	1.619.926	-	888.831	-	732.639	%82
12	Exposures in higher-risk categories	51.187	667.408	51.187	44.663	138.406	%144
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	6.171	-	6.171	-	6.171	%100
16	Other exposures	1.050.627	205.287	844.500	113.191	957.671	%100
17	Equity Investments	810.992	-	810.992	-	1.721.474	%212
18	Total	50.343.299	36.543.917	48.664.722	4.154.112	39.672.502	%75

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated 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	9.014.868	-	-	-	-	-	-	-	-	9.014.868
2		Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	600
3		Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	3.962	-	-	-	3.962
4		Exposures to multilateral development banks	69.967	-	-	-	-	-	-	-	-	69.967
5		Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6		Exposures to banks and securities firms	-	-	1.459.733	1.706.326	-	55.550	-	-	-	3.221.609
7		Exposures to corporates	-	-	542.238	4.997.896	-	37.615.845	-	-	-	43.155.979
8		Retail exposures	-	-	-	-	-	-	-	-	-	-
9		Exposures secured by property	-	-	-	1.376.133	-	-	-	-	-	1.376.133
10		Past due receivables	-	-	-	289.911	-	507.849	1.865	-	-	799.625
11		Exposures in higher-risk categories	-	-	-	294	-	453	103.422	-	-	104.169
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	-	-	-	-	-	34.329	-	-	-	34.329
15		Equity investments	-	-	-	-	-	232.291	-	-	640.526	872.817
16		Other exposures	20	-	-	-	-	1.130.667	-	-	-	1.130.687
17		Total	9.084.855	-	2.001.971	8.371.160	-	39.580.946	105.287	-	640.526	59.784.745

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management (continued)

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

	Prior Period										
	Risk Groups/ Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Total Risk Amount (After CCR and CVA)
1	Exposures to sovereigns and their central banks	8.540.564	-	-	-	-	-	-	-	-	8.540.564
2	Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	14.306	-	-	-	14.306
4	Exposures to multilateral development banks	17.725	-	-	-	-	-	-	-	-	17.725
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.776.632	1.354.371	-	58.289	-	-	-	3.189.292
7	Exposures to corporates	-	-	982.290	3.357.319	-	32.314.029	-	-	-	36.653.638
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.643.174	-	-	-	-	-	1.643.174
10	Past due receivables	-	-	-	314.061	-	573.093	1.677	-	-	888.831
11	Exposures in higher-risk categories	-	-	-	294	-	10.149	85.407	-	-	95.850
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	-	-	-	-	-	6.171	-	-	-	6.171
15	Equity investments	-	-	-	-	-	204.004	-	-	606.988	810.992
16	Other exposures	20	-	-	-	-	957.671	-	-	-	957.691
17	Total	8.558.309	-	2.758.922	6.669.819	-	34.137.712	87.084	-	606.988	52.818.834

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated 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)	1.075.918	396.500	-	-	1.472.418	952.011
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)	-	-	-	-	878.710	655.850
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.607.861

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Explanations related to consolidated 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)	1.101.328	379.902	-	-	1.481.229	930.913
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)	-	-	-	-	475.250	276.420
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.207.333

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	1.472.418	522.757
4	Total subject to the CVA capital charge	1.472.418	522.757

	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	1.481.229	562.318
4	Total subject to the CVA capital charge	1.481.229	562.318

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk (continued)

Counterparty credit (CCR) risk disclosures (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(1)
Exposures to sovereigns and their central banks	43.784	-	-	-	-	-	-	-	43.784
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	9.604	-	-	9.604
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	156.058	1.110.349	-	-	-	-	1.266.407
Exposures to corporates	-	-	-	38.925	-	992.370	-	-	1.031.295
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	-	-	-	-	-	38	-	-	38
Other assets	-	-	-	-	-	-	-	-	-
Total	43.784	-	156.058	1.149.274	-	1.002.012	-	-	2.351.128

(1) 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 consolidated risk management (continued)

Counterparty credit (CCR) risk disclosures (continued)

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

Prior Period									
Risk weight									
Risk groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Exposures to sovereigns and their central banks	13.982	-	-	-	-	-	-	-	13.982
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	175	-	-	175
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	317.248	940.793	-	-	-	-	1.258.041
Exposures to corporates	-	-	-	21.937	-	661.238	-	-	683.175
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	-	-	-	-	-	1.106	-	-	1.106
Other assets	-	-	-	-	-	-	-	-	-
Total	13.982	-	317.248	962.730	-	662.519	-	-	1.956.479

(1) 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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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated 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	-	-	-	-	212.237	-
Cash – foreign currency	-	-	-	-	1.387.241	-
Domestic sovereign debt	-	-	-	-	788	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.600.266	-

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
Prior Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	727.356	-
Cash – foreign currency	-	-	-	-	996.528	-
Domestic sovereign debt	-	-	-	-	670	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.724.554	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated 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	314.866	6.644	361.685	7.945
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	219.013	4.380	256.955	5.138
(i) OTC Derivatives	219.003	4.380	255.166	5.103
(ii) Exchange-traded Derivatives	-	-	1.780	35
(iii) Securities financing transactions	10	-	9	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	29.587	-	28.350	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	66.267	2.264	76.380	2.807
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	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management (continued)

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	Outright products	-	-
1	Interest rate risk (general and specific)	284.100	275.475
2	Equity risk (general and specific)	3.413	8.663
3	Foreign exchange risk	1.144.050	1.075.350
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	1.431.563	1.359.488

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	20	-
Balances with the Central Bank of Turkey	23.840	1.285.470	2.227	1.021.382
Other	-	-	-	-
Total	23.860	1.285.470	2.247	1.021.382

	Current Period(2)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	23.840	11.622	2.227	10.138
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (1)	-	1.273.848	-	1.011.244
Total	23.840	1.285.470	2.227	1.021.382

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

(2) Expected credit loss amounting to TL 689 (31 December 2020: 546) is allocated in "Balances with the Central Bank of Turkey".

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

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

13,5 percent interest rate is applied to required reserves in Turkish lira, effective from 5 March 2021.

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 2021 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Borrower Funds	8
Until 1 year maturity (1 year included)	8
Until 3 years maturity (3 year included)	5.5
More than 3 year maturity	3

Reserve Rates for Foreign Currency Liabilities (%)	
Original Maturity	Reserve Ratio
Borrower Funds	19
Until 1 year maturity (1 year included)	21
Until 2 year maturity (2 year included)	16
Until 3 year maturity (3 year included)	11
Until 5 year maturity (5 year included)	7
More than 5 year maturity	5

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2020: None).

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2020: None).

2.c Positive differences related to derivative financial assets:

Derivative Financial Assets (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	33.061	-	64.966	1.283
Swap Transactions	659.013	406.474	552.034	455.454
Futures Transactions	-	-	-	-
Options	-	2.514	-	4.070
Other	-	-	-	-
Total	692.074	408.988	617.000	460.807

(1) Derivative financial assets for hedging purposes amounting to TL 217.082 were presented at "Derivative Financial Assets" line (31 December 2020: 262.699).

The Parent Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 30 June 2021, the fair value of such swaps is TL 379.232 income with a total outstanding notional amount of USD 95 million. The average maturity of such swaps range between 2022 and 2023 years.

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

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

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

As of 30 June 2021, the Parent Bank re-evaluated the fair value of the loan in consideration of current market conditions and macroeconomic indicators, and did not change the fair value of the financial asset as of year-end.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	85.174	243.908	86.932	175.458
Foreign	-	342.819	-	167.075
Branches and head office abroad	-	-	-	-
Total	85.174	586.727	86.932	342.533

Expected credit loss amounting to TL 1.380 (31 December 2020: TL 1.019) is allocated in "Banks".

3.b Information on banks and foreign bank accounts:

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	289.935	769.169	384.612	-
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	289.935	769.169	384.612	-

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

All financial assets at fair value through other comprehensive income given as collateral comprise of financial assets are issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 2.201.776.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	906.874	1.294.902	814.409	1.092.241
Other	-	-	-	-
Total	906.874	1.294.902	814.409	1.092.241

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 35,46%, Eurobonds 56,69% and shares and other securities 7,85%(31 December 2020: bonds 36,93%, Eurobonds 57,06% and shares and other securities 6,01%).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Current Period	Prior Period
Debt securities	5.166.611	4.452.123
Quoted on a stock exchange	2.137.916	1.832.511
Unquoted	3.028.695	2.619.612
Share certificates	193.239	178.159
Quoted on a stock exchange	31.620	39.540
Unquoted	161.619	138.619
Impairment provision(-)	52.454	31.730
Other	28.810	3.587
Total	5.336.206	4.602.139

As of 30 June 2021, the net book value of unquoted financial assets at fair value through other comprehensive income share certificates of the Group is TL 150.723 (31 December 2020: TL 126.206).

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	348.774	-	294.689	-
Corporate shareholders	348.774	-	294.689	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	953	-	917	-
Total	349.727	-	295.606	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period (1)	Standard Loans	Loans and Other Receivables Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	37.858.816	2.177.325	3.461.526	825.997
Working Capital loans	5.765.325	392.339	1.354.801	825.997
Export loans	943.302	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	6.619.825	-	-	-
Consumer loans	953	-	-	-
Credit cards	-	-	-	-
Other	24.529.411	1.784.986	2.106.725	-
Specialized loans	-	-	-	-
Other receivables	422.855	-	-	-
Total	38.281.671	2.177.325	3.461.526	825.997

(1) According to the Parent Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 1.636.231 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Prior Period (1)	Standard Loans	Loans and Other Receivables Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	32.885.271	513.781	2.872.574	857.773
Working Capital loans	4.821.651	291.707	939.890	857.773
Export loans	695.026	-	99.724	-
Import loans	-	-	-	-
Loans given to financial sector	5.315.675	-	-	-
Consumer loans	917	-	-	-
Credit cards	-	-	-	-
Other	22.052.002	222.074	1.832.960	-
Specialized loans	-	-	-	-
Other receivables	355.611	-	-	-
Total	33.240.882	513.781	2.872.574	857.773

(1) According to the Parent Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 887.975 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	343.319	-	425.830	-
Significant Increase in Credit Risk	-	961.133	-	575.834

5.c Loans according to their maturity structure:

Not prepared in compliance with the Article 25 of the communiqué "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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans- TL	77	876	953
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	77	876	953
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	77	876	953

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	86	831	917
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	86	831	917
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	86	831	917

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2020: 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	44.593.791	37.352.071
Foreign Loans	152.728	132.939
Total	44.746.519	37.485.010

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	659.696	628.836
Indirect loans granted to subsidiaries and associates	-	-
Total	659.696	628.836

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

	Current Period	Prior Period
Loans and other receivables with limited collectability	223.685	401.917
Loans and other receivables with doubtful collectability	367.974	275.856
Uncollectible loans and other receivables	290.303	78.581
Total	881.962	756.354

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Gross amounts before provisions	126.870	908.669	35.326
Rescheduled loans	126.870	908.669	35.326
Prior Period			
Gross amounts before provisions	126.864	767.987	35.653
Rescheduled loans	126.864	767.987	35.653

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Prior Period End Balance	761.282	844.026	84.490
Additions (+)	1.228	14.574	498
Transfers from Other Categories of Non-performing Loans (+)	-	43.839	376.026
Transfers to Other Categories of Non-performing Loans (-)	356.372	63.493	-
Collections (-)	78.258	14.612	1.319
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange Differences Related to Non-Performing Loans	5.232	129.455	570
Current Period End Balance	333.112	953.789	460.265
Provisions (-)	223.685	367.974	290.303
Net Balance on Balance Sheet	109.427	585.815	169.962

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period			
Prior Period End Balance	457.905	594.045	55.822
Additions (+)	412.925	28.236	551
Transfers from Other Categories of Non-performing Loans (+)	-	104.973	29.569
Transfers to Other Categories of Non-performing Loans (-)	104.973	29.569	-
Collections (-)	239	31.229	2.128
Write-offs (-)	-	-	-
Sold	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange Differences Related to Non-Performing Loans	(4.336)	177.570	666
Current Period End Balance	761.282	844.026	84.480
Specific Provisions (-)	401.917	275.856	78.581
Net Balance on Balance Sheet	359.365	568.170	5.899

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	273	934.867	33.703
Specific Provision (-)	273	351.801	31.739
Net Balance on Balance Sheet	-	583.066	1.964
Prior Period			
Period End Balance	115.594	780.355	34.030
Specific Provision (-)	58.505	244.959	32.316
Net Balance on Balance Sheet	57.089	535.396	1.714

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	333.112	953.789	455.335
Specific Provision Amount (-)	223.685	367.974	285.373
Loans to Real Persons and Legal Entities (Net)	109.427	585.815	169.962
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.930
Specific Provision Amount (-)	-	-	4.930
Other Loans (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	761.282	844.026	79.635
Specific Provision Amount (-)	401.917	275.856	73.736
Loans to Real Persons and Legal Entities (Net)	359.365	568.170	5.899
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.845
Specific Provision Amount (-)	-	-	4.845
Other Loans (Net)	-	-	-

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

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	661	86.052	250
Interest Accruals and Rediscount with Valuation Differences	5.232	129.455	570
Provision Amount (-)	4.571	43.403	320
Prior Period (Net)	(877)	120.999	599
Interest Accruals and Rediscount with Valuation Differences	(4.336)	177.570	666
Provision Amount (-)	(3.459)	56.571	67

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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:

Within the scope of the "Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions for These", which was published in the Official Gazette dated 27 November 2019 and numbered 30961, The portion of the loans that are classified as "Fifth Group-Loans with Loss " can be taken off the balance sheet, which has no reasonable expectation of recovery. The deduction of the loans that cannot be collected from the records is an accounting application and does not result in the waiver of the right to receivable.

The Bank allocates expected loan loss provisions within the scope of TFRS 9 for the parts of the loans that are not expected to be collected, and the details are given in VIII. Explanations on impairment of financial assets and Calculation of expected credit losses are given under the headings. The amounts written off during the period are disclosed in the footnotes of the financial statements.

As of 30 June 2021, the Bank has no written-off loans.

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	637.961	38.759	828.156	32.812
Subject to Repurchase Agreements	-	-	603.584	-
Total	637.961	38.759	1.431.740	32.812

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

	Current Period	Prior Period
Government Bonds	2.999.040	3.083.059
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	2.999.040	3.083.059

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	2.574.156	2.719.902
Not Quoted	424.884	363.157
Value Increase /(Decrease)	-	-
Total	2.999.040	3.083.059

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

	Current Period	Prior Period
Balance at Beginning of the Period	3.083.059	2.585.160
Foreign Currency Differences on Monetary Assets	71.430	64.029
Purchases During The Period	-	149.670
Disposals Through Sales And Redemptions	162.446	1.577
Valuation Effect	-	-
Interest Income Accruals	6.997	285.777
Balance at End of Period	2.999.040	3.083.059

Expected credit loss amounting to TL 4.498 is allocated in "Financial asset measured at amortized cost" (31 December 2020: TL 3.195).

7. Information on investments in associates (net):

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

Unconsolidated non-financial associates are valued at equity.

7.b Information on unconsolidated associates:

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (1)	28.989	5.142	1.545	-	-	(15)	(15)	-
2	Ege Tarım	19.265	17.829	8.379	-	-	1.162	1.460	-

(1) Represents for the 31 Mart 2020 financial statements. Prior year profit/loss is obtained from 31 December 2020 financial statements.

Information on associates disposed in the current period

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

Information on associates purchased in the current period

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

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

7.c Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,19
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	56,79

	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	4.908.989	504.017	3.368	297.007	-	66.921	17.115	-
2 İş Finansal	14.569.158	1.820.004	19.971	305.079	-	157.071	53.788	608.815
3 İş Girişim	266.920	263.111	1.528	4.232	154	(713)	4.056	116.508

	Current Period	Prior Period
Balance at the Beginning of the Period	623.769	464.920
Movements During the Period	33.529	158.849
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit (1)	-	-
Sales	-	-
Revaluation Increase (1)	33.529	158.849
Provision for Impairment /cancellations (-)	-	-
Balance at the End of the Period	657.298	623.769
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) It includes accounting differences with equity method.

(2) Non-financial investments in associates amounting to TL 1.792 are not included in the table (31 December 2020 : TL 2.124)

Information on associates disposed in the current period

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

Information on associates purchased in the current period

In current period the Group has not purchased any associates.

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	109.624	104.009
Leasing Companies	503.822	475.792
Financial Service Companies	-	-
Other Financial Associates	43.852	43.968

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

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	547.674	519.761
Associates Quoted on Foreign Stock Markets	-	-

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information related to subsidiaries (net)

8.a Information related to equity component of subsidiaries:

Current Period (1)	YF	TSKB GYO	Yatırım VKŞ
	Current Period	Current Period	Current Period
CORE CAPITAL			
Paid-in Capital	63.500	500.000	150
Share Premium	-	864	
Legal Reserves	6.887	8.726	
Other Comprehensive Income according to TAS	22.293	-	
Current and Prior Years' Profit / Loss	121.190	(62.464)	71
Leasehold Improvements (-)	605	-	
Intangible Assets (-)	606	27	4
Total Core Capital	212.659	447.099	217
Supplementary Capital	-	-	
Capital	-	-	
Net Available Capital	212.659	447.099	217

(1) The information is obtained from financial statements subject to consolidation as of 30 June 2021.

Prior Period (1)	YF	TSKB GYO	Yatırım VKŞ
	Prior Period	Prior Period	Prior Period
CORE CAPITAL			
Paid-in Capital	63.500	500.000	150
Share Premium	-	864	-
Legal Reserves	4.724	8.726	-
Other Comprehensive Income according to TAS	37.982	-	-
Current and Prior Years' Profit / Loss	70.935	(44.950)	40
Leasehold Improvements (-)	459	-	-
Intangible Assets (-)	723	28	6
Total Core Capital	175.959	464.612	184
Supplementary Capital	-	-	-
Capital	-	-	-
Net Available Capital	175.959	464.612	184

(1) The information is obtained from financial statements subject to consolidation as of 31 December 2020.

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

8.c Information related to unconsolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	100	100

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD(1)	30.980	25.935	1.164	1.438	-	4.788	4.048	-
2	TSKB SD (1)	6.606	6.264	60	-	-	124	(535)	-

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

8.d Information related to consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YF)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,13	89,25
3	Yatırım Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (1)	1.226.479	213.870	12.949	72.433	1.899	45.038	18.906	-
TSKB GYO (1)	599.189	447.126	246	333	-	(17.515)	(44.551)	1.261.121
Yatırım VKŞ	925.829	221	4	-	-	30	40	-

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period (2)	Prior Period
Balance at the Beginning of the Period	581.897	378.504
Movements During the Period	19.640	203.393
Purchases (3)	-	185.542
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation increase / decrease (1)	19.640	17.851
Provision for Impairment /cancellations	-	-
Balance At the End of the Period	601.537	581.897
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial subsidiaries amounting to TL 32.199 are not included in the table (31 December 2020: TL 25.031).

(3) 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.

After the capital increase by TSKB GYO amounting to Full TL 200.000.000, the Bank acquired TSKB GYO shares in the amounting to TL 178.403.

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

Subsidiaries disposed in the current period

In the current period, Yatırım Finansman Menkul Değerler A.Ş., sold its 2.753.185 dividend of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. shares in Borsa Istanbul.

Subsidiaries purchased in the current period

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

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	601.537	581.897

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

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

8.g Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	396.690	412.229
Quoted in Foreign Stock Exchange	-	-

9. Information related to entities under common control

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

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

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

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

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Anavarza Hotelier Corporation	10.096	1.325	4.805	41	-	130	(3.305)	-

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	45.389	41.928	26.059	23.546
Between 1- 4 years	105.109	96.589	102.489	92.826
More than 4 years	121.269	104.787	103.933	89.354
Total	271.767	243.304	232.481	205.726

(1) Expected credit loss amounting to TL 44.350 (31 December 2020: TL 22.825) is allocated in "Lease Receivables".

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

	Current Period	Prior Period
Gross investments in finance leases	271.767	232.481
Unearned revenue from finance leases (-)	28.463	26.755
Cancelled finance leases (-)	-	-
Net investments in finance leases	243.304	205.726

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

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

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

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

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

There is a positive differences amounting to TL 217.082 related to derivative financial assets for hedging purposes (31 December 2020: positive differences amounting to TL 262.699).

As of 30 June 2021, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	12.719.862	217.082	-	15.214.012	262.699	-
FC	12.719.862	217.082	-	15.214.012	262.699	-
TL	-	-	-	-	-	-
Money Swap	5.385.005	-	(98.641)	4.626.754	-	(154.049)
FC	5.385.005	-	(98.641)	4.626.754	-	(154.049)
TL	-	-	-	-	-	-

11.a Information on fair value hedge accounting:

Current Period		Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument (1)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	(145.258)	141.674	-	(3.584)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(29.212)	28.460	-	(752)
Cross Money Swap Transactions	Fixed Rate Eurobond Issued	Interest Rate Risk	(54.194)	54.886	-	693

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

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

11.b Information on fair value hedge accounting (continued)

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (1)	Fair Value of Hedging Instrument (1)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	(184.285)	181.026	-	(3.259)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(41.043)	40.450	-	(593)
Cross Money Swap Transactions	Fixed Rate Eurobond Issued	Interest Rate Risk	(54.959)	54.947	-	(11)

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

12. Information on tangible assets (net)

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

13. Information on intangible assets

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

14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 280.367 (31 December 2020: TL 279.523) belonging to the Parent Bank’s subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 30 June 2021 and 31 December 2020 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	37.195	-	-	-	37.195
Pendorya Mall	158.430	844	-	-	159.274
Adana Divan Hotel	83.898	-	-	-	83.898
Total	279.523	844	-	-	280.367

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	36.960	-	-	235	37.195
Pendorya Mall	155.555	4.046	-	(1.171)	158.430
Adana Divan Hotel	81.403	-	(172)	2.667	83.898
Total	273.918	4.046	(172)	1.731	279.523

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	22.742	22.687
Other provisions	343.177	234.627
	5.011	
Employee benefit provision		4.178
Marketable securities	34.905	28.888
Useful life difference of fixed assets	-	333
	11.989	
Other (1)		13.671
Total Deferred Tax Asset	417.824	304.384
Deferred tax liabilities:		
Marketable securities	(1.116)	(1.142)
Borrowings commissions accrual adjustment	(18.913)	(16.122)
Valuation of derivative instruments	(164.860)	(102.189)
Useful life difference of fixed assets	(2.226)	-
Others	(6.334)	(11.020)
Total Deferred Tax Liability	(193.449)	(130.473)
Net Deferred Tax Asset	224.375	173.911

(1) In the other item, there is also a deferred tax asset related to hedge accounting amounting to TL 5.842 (31 December 2020: TL 8.209).

	Current period	Prior period
Deferred Tax as of 1 January Asset / (Liability) - Net	173.911	39.930
Deferred Tax (Loss) / Gain	33.521	145.851
Deferred Tax that is Realized Under Shareholder's Equity	16.943	(11.870)
Deferred Tax Asset / (Liability) Net	224.375	173.911

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

There is no temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods. (31 December 2020: None).

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

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2020: None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

16. Explanations on assets held for sale:

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

The Parent Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Parent Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1.6172% stake and amounting to TL 64.403. The Parent Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations" (31 December 2020: 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 2020: None).

II. Explanations and disclosures related to the consolidated liabilities:

1. Information on maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

2. Negative differences table related to derivative financial liabilities:

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	31.309	-	63.711	1.253
Swap Transactions	135.431	321.270	262.653	389.244
Futures Transactions	-	-	-	-
Options	-	2.514	-	4.070
Other	-	-	-	-
Total	166.740	323.784	326.364	394.567

(1) Derivative financial liabilities for hedging purposes amounting to TL 98.641 (31 December 2020: TL 154.049) were presented at "Derivative Financial Liabilities" line.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on banks and other financial institutions

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	401.062	187.426	29.000	276.973
From Foreign Banks, Institutions and Funds	180.128	37.410.068	90.985	31.935.252
Total	581.190	37.597.494	119.985	32.212.225

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	513.245	265.707	29.000	100.498
Medium and long-term	67.945	37.331.787	90.985	32.111.727
Total	581.190	37.597.494	119.985	32.212.225

3.c Information about the marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	1.105.835	9.550.750	514.482	7.701.750
Cost	1.092.791	9.501.980	512.718	7.657.597
Book Value	1.118.092	9.927.427	441.111	8.021.275

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.

As of 14 January 2021, the Bank issued Eurobond with the nominal amount of full USD 350 Million. Interest rate of these debt instruments determined as 5,875% which have the redemption date of 23 January 2025 with fixed interest rate, 5 years maturity and semiannual coupon payment.

Yatırım Finansman Menkul Değerler A.Ş. issued debt instruments with a nominal value of full TL 250.000.000 redemption dates of 18 August 2021 and 8 September 2021 at a simple interest rate of 19,15, with a maturity of 104 days and 105 days.

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

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

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

ISIN Code	Fund User	Issue Amount(TL)	Issue Date	Redemption Date	Interest Rate
TRDYVKS2119	Palmet Gaz Grup A.Ş.	150.000.000	27/12/2019	24/12/2021	17,6749
TRDYVKS32217	Altınmarka Gıda San. ve Tic. A.Ş.	75.000.000	11/03/2020	09/03/2022	14,8130
TRDYVKSE2214	MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş.	75.000.000	14/10/2020	12/10/2022	18,2225
TRDYVKS12326	MLP Sağlık Hizmetleri A.Ş.	70.000.000	15/01/2021	12/01/2023	20,9274
TRDYVKS72114	Zorlu Enerji Elektrik Üretim A.Ş.	50.000.000	02/02/2021	30/07/2021	11,2164
TRDYVKS32225	MLP Sağlık Hizmetleri A.Ş.	150.000.000	12/03/2021	14/03/2022	21,4695
TRDYVKS92120	Zorlu Enerji Elektrik Üretim A.Ş.	45.000.000	22.04.2021	17.09.2021	9,5288
TRDYVKS52215	MLP Sağlık Hizmetleri A.Ş.	250.000.000	24.05.2021	25.05.2022	23,2899
TRDYVKSE2115	Zorlu Enerji Elektrik Üretim A.Ş.	40.000.000	02.06.2021	27.10.2021	9,2630

(*)The amount of thousand of TL 49.866 included in the portfolio of Group is eliminated in financials.

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

Not prepared in compliance with the Article 25 of the communiqué “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 2020: None).

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2020: None).

5.b Explanations regarding operational leases:

As of the reporting date, 1 head office building, 9 branches, 21 cars, and 358 computers of the Group companies are within the context of operational leasing. (31 December 2020:2 head office building, 8 branches, 24 cars, and 327 computers are subject to operational leasing). In the current period, the Bank has Lease liability within the scope of TFRS16 amounting to TL 5.523 related to operational lease transactions (31 December 2020 : TL 4.394).

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

The Group has no sale and lease back transactions as of the reporting date (31 December 2020: None).

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	98.641	-	154.049
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	98.641	-	154.049

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

7. Information on provisions

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

As of the reporting date, the Parent Bank has no foreign exchange losses on the foreign currency indexed loans amount (31 December 2020: 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 1.315 (31 December 2020: TL 1.220).

The Bank has an expected loss provision amounting to TL 40.122 for non-cash loans (31 December 2020: TL 31.962)

7.c Information related to other provisions:

7.c.1 Provisions for possible losses:

Free provision amounting to TL 285.000 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 2020: 220.000)

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

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

As of 30 June 2021, employee termination benefits is amounting to TL 15.457 (31 December 2020: TL 16.468) and unused vacation amounting to TL 7.283 (31 December 2020: TL 4.673) is classified under reserve for employee benefits in the financial statements.

Obligations arising from pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 30 June 2021, the Bank has no obligations on pension rights (31 December 2020: None).

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

7.c Information related to other provisions (continued):

7.c.2 Information on employee termination benefits and unused vacation accrual (continued):

Obligations for the funds established pursuant to the Social Security Institution

None (31 December 2020: None).

Obligations of organizations such as all kinds of foundations and funds that provide post-retirement benefits for bank employees

As of 31 December 2020, TSKB A.Ş. The cash value of the main liabilities of the Civil Servants and Employees Assistance and Retirement Foundation fund has been calculated by an independent actuary using actuarial assumptions, and according to the actuary's report dated 18 January 2021, no technical or actual deficit that requires provision for provision has been identified as of 31 December 2020.

In this framework, taking into account the provisions of the Law explained in the accounting policies regarding the "Liabilities Regarding the Rights of the Employees" no. 3.17 for the transferable liabilities of the Fund, 30 for the other social rights and payments in the foundation deed other than the transfer-based liabilities, and for the health benefits given to the employees. As of June 2021, the Bank has no liabilities.

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

Other provisions, except to free provisions for possible losses which mentioned at 7.c.1, includes amount to TL 41.437 for general provision for non-cash loans. (31 December 2020: TL 33.182 provision for the risks of loan portfolio).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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II. Explanations and disclosures related to the consolidated liabilities (continued)

8. Information on tax liability

8.a Information on current tax liability

8.a.1 Information on tax liability:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Tax Liability	165.261	-	136.723	-
Deferred Tax Liability	-	-	1.508	-
Total	165.261	-	138.231	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	165.261	136.723
Taxation of Securities	2.712	4.915
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	7.347	9.188
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	597	660
Other	3.465	2.974
Total	179.382	154.460

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	275	203
Social Security Premiums-Employer	318	234
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	83	68
Unemployment Insurance-Employer	164	135
Other	-	29
Total	840	669

8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2020: None).

9. Information on liabilities regarding assets held for sale

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

11. Information on shareholders’ equity

11.a Presentation of paid-in capital:

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

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

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

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

In line with the decision taken at the Ordinary General Assembly held on 25 March 2021, the Bank does not have any capital increase during the 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.

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

None (31 December 2020: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Information on shareholders' equity (continued)

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

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2020: None).

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

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

11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2020: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (1)	85.059	-	110.697	-
Financial Assets at Fair Value Through Profit or Loss	43.761	71.916	37.946	123.093
Valuation Differences	(8.318)	71.916	(1.905)	123.093
Foreign Exchange Difference	52.079	-	39.851	-
Total	128.820	71.916	148.643	123.093

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

11.i Informations on legal reserves:

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

11.j Informations on extraordinary reserves:

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

12. Informations on minority shares:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Letter of Credit	301.557	99.130
Commitments for Stock Brokerage Purchase and Sales	164.761	191.340
Commitments for Money Market Brokerage Purchase and Sales	37.110	149.937
Commitments for Forward Purchase and Sales of Assets	465.236	438.411
Capital commitments for Subsidiaries and Associates	-	-
Commitments for Forward Short Term Borrowing and Transfers (1)	135.391	127.172
Other	757.598	597.652
Total	1.861.653	1.603.642

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

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

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

As of the reporting date, total letters of credits, surety and acceptance amount to TL 4.618.149 (31 December 2020: TL 2.852.676).

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

As of the reporting date, total letters of guarantee is TL 2.051.375 (31 December 2020: TL 2.086.162).

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

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1.340.009	1.322.992
With Maturity of One Year or Less than One Year	111.585	175.969
With Maturity of More than One Year	1.228.424	1.147.023
Other Non-Cash Loans	5.329.515	3.615.846
Total	6.669.524	4.938.838

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

2. Information related to derivative financial instruments

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

3. Explanations on loan derivatives and risk exposures

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

4. Explanations on contingent liabilities and assets

There are 64 legal cases against the Group which are amounting to TL 4.682 as of the reporting date (31 December 2020: TL 6.024 - 70 legal cases).

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

5. Custodian and intermediary services

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (1)				
Short Term Loans	159.675	83.569	56.484	60.461
Medium and Long Term Loans	165.457	946.661	186.964	825.209
Interest on Non-performing Loans	20	25.488	1.660	29.298
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	325.152	1.055.718	245.108	914.968

(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)	371	-	-	-
Domestic Banks	7.938	2.383	9.090	2.717
Foreign Banks	-	522	594	3.667
Branches and Head Office Abroad	-	-	-	-
Total	8.309	2.905	9.684	6.384

(1) Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	1.899	-	797	-
Financial Assets at Fair Value Through Other Comprehensive Income	140.393	78.844	143.132	79.010
Financial Assets Measured at Amortized Cost	196.053	4.122	145.196	5.318
Total	338.345	82.966	289.125	84.328

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of 30 June 2021 the valuation of these securities has been calculated by using the estimated annual inflate on rate 13,5%.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

1. Information on interest income (continued)

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries and Commission Income	14.269	9.161

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	19.509	76.296	13.993	71.917
The Central Bank of Turkey	-	-	-	-
Domestic Banks	9.994	1.916	8.128	12.630
Foreign Banks	9.515	74.380	5.865	59.287
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	182.413	1.393	229.364
Total (1)	19.509	258.709	15.386	301.281

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

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

There is no interest expense to its associates and subsidiaries (30 June 2020: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (1)	-	456.383	-	323.732

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

3. Information on dividend income

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

4. Information on net trading income (net)

	Current period	Prior period
Profit	1.831.327	2.530.986
Gains on capital market operations	1.827	3.582
Gains on derivative financial instruments (1)	1.350.724	2.020.339
Foreign exchange gains	478.776	507.065
Losses (-)	1.834.755	2.541.492
Losses on capital market operations	1.393	2.107
Losses on derivative financial instruments (1)	833.005	1.885.811
Foreign exchange losses	1.000.357	653.574

(1) Foreign exchange gain from derivative transactions amounting to TL 838.586 is presented in "Gains on derivative financial instruments" (30 June 2020: TL 840.749), foreign exchange loss from derivative transactions amounting to TL (431.253) is presented in "Losses on derivative financial instruments" (30 June 2020: TL (725.560)).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	28.962	270
Gains on Sale of Assets	73	70
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	73	70
From Other Asset Sales	-	-
Other	172.728	17.979
Total	201.763	18.319

(1) It also includes the income amount of TL 157.113 related to the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating expenses as well, and it is shown as gross without netting for reporting purposes.

6. Expected Credit Losses and Other Provision Expenses of the Group

	Current Period	Prior Period
Expected Credit Loss	467.920	379.707
12 Months Expected Credit Loss (Stage 1)	101.969	133.897
Significant Increase in Credit Risk (Stage 2)	211.126	148.224
Non-performing Loans (Stage 3)	154.825	97.586
Marketable Securities Impairment Expenses	86.525	74.361
Financial Assets at Fair Value through Profit or Loss	83.584	53.566
Financial Assets at Fair Value through Other Comprehensive	2.941	20.795
Associates, Subsidiaries, and Entities under Common Control (Joint Venture)	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other (1)	65.000	-
Total	619.445	454.068

(1) As of the reporting date the free provision expense for possible losses amounting to TL 65.000 has been incurred (30 June 2020: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	597	636
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	4.018	9.703
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	1.286	1.168
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	30.954	20.719
Rent Expenses	865	497
Maintenance Expenses	1.422	1.547
Advertisement Expenses	618	677
Other Expenses	28.049	17.998
Loss on Sales of Assets	-	-
Other (1)	168.982	33.889
Total	205.837	66.115

(1) Includes TL 157.113 of expense related to the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating income as income, and is shown as gross without netting for reporting purposes. It Includes TL 3.817 excluding corporate tax and fees and TL 2.728 leave provision expense (30 June.2020: It includes tax and fee expenses excluding corporate tax amounting to TL 3.512 and vacation provisions expense: TL 2.258).

8. Information on tax provision for continued and discontinued operations

As of 30 June 2021 profit before tax of the Group has increased by 47.46% as compared to the prior period (30 June 2020: 15,22 % decrease). In comparison with the prior period, the Group's net interest income has increased by 30,30% (30 June 2020: 8.29% decrease).

9. Information on tax provision for continued and discontinued operations

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

The Group's current tax charge for the period is TL 169.859 (30 June 2020: TL 197.957). Deferred tax income is TL 33.521 (30 June 2020: TL 99.408 deferred tax income).

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

Deferred tax income calculated on temporary differences is TL 33.521 (30 June 2020: TL 99.408 deferred tax expense).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

There is no deferred tax income or expense reflected in the income statement in terms of financial losses and tax deductions and exemptions (30 June 2020: None).

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

The Group is increased the net profit by 50,27% for the period ended 30 June 2021 compared to prior period.

11. Information on net profit/loss

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

The Group has generated TL 1.994.365 of interest income, TL 791.350 of interest expenses, TL 76.658 of net fee and commission income from banking operations (30 June 2020: TL 1.584.299 interest income, TL 661.063 interest expenses, TL 58.644 net fee and commission income).

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

There are no changes in the accounting estimates (30 June 2020: None).

11.c Minority share of profit and loss:

The current year profit attributable to minority shares is TL 43 (30 June 2020: TL 3.781 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 57.043 (30 June 2020: TL 32.931).

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

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	38.340	29.075
Commissions from Initial Public Offering	13.999	1.643
Investment Fund Management Income	2.585	2.165
Other	17.384	8.159
Total	72.308	41.042

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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V. Explanations on the risk group of the Parent Bank

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

1.a Current period:

Risk Group of the Parent Bank(1)	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Factors in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	628.837	515	294.689	-	24.747	-
Balance at the end of the period	659.696	119.550	348.774	-	18.905	-
Interest and commission income received	10.657	1	5.795	-	520	-

(1) Mutual transactions between the Parent Bank and its fully consolidated subsidiaries are eliminated.

1.b Prior period:

Risk Group of the Parent Bank(1)	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Factors in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	545.560	27.938	118.394	-	39.529	-
Balance at the end of the period	628.837	515	294.689	-	24.747	-
Interest and commission income received(2)	9.018	143	5.285	-	1.120	-

(1) Mutual transactions between the Parent Bank and its fully consolidated subsidiaries are eliminated.

(2) Includes information for 30 June 2020.

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

The Parent Bank is not authorized to accept deposits.

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

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Factors in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	15.247	-	-	-	-
Total Profit / Loss (1)	(124)	(23.857)	-	-	-	(915)
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(1) Includes information for 30 June 2020

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

Benefits provided to key management personnel in the current period amount to TL 15.213 (30 June 2020: TL 14.077).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations and notes related to subsequent events:

On 8 July 2021, our bank obtained a syndicated loan of approximately 192 million USD, which amounts 55 million USD and 116 million EUR. The interest rate of the 367-day loan, which is tied to the sustainability criteria, was 175 basis points per annum and the renewal rate was 130%.

At the Board of Directors meeting of the Parent Bank dated 30 June 2021, the Bank decided to participate in the capital increase of 150.000.000-TL (full amount) planned to be made by TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi, in which it is the controlling shareholder, in proportion to its shareholding in TSKB GYO. . TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi made an application to the Capital Markets Board on 2 July 2021.

SECTION SIX

AUDITORS' LIMITED REVIEW REPORT

I. Explanations on the auditors' limited review report

The consolidated financial statements for the period ended 30 June 2021 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 4 Ağustos 2021 is presented in the consolidated financial statements.

II. Explanations and notes prepared by independent auditors

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

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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
Adnan Bali	Chairman	2021-2024	No	-
Mahmut Magemizoğlu	Vice Chairman	2021-2024	Yes*	Chair of Audit Committee, Member of Credit Revision Committee
Ece Börü	Board Member	2021-2024	No	Member of Credit Revision Committee, Member of Sustainability Committee
Bahattin Özarslantürk	Board Member	2021-2024	No	Member of Credit Revision Committee
Mithat Rende	Board Member	2021-2024	Yes	Member of Sustainability Committee
Zeynep Hansu Uçar	Board Member	2021-2024	No	Member of Corporate Governance Committee, Member of Remuneration Committee, Member of Sustainability Committee
Ozan Uyar	Board Member	2021-2024	No	Member of Credit Revision Committee, Member of Sustainability Committee
Abdi Serdar Üstünsalih	Board Member	2021-2024	No	-
Gamze Yalçın	Board Member	2021-2024	Yes*	Member of Audit Committee, Chair of Corporate Governance Committee, Chair of Remuneration Committee
Hüseyin Yalçın	Board Member	2021-2024	No	-
Cengiz Yavilioğlu	Board Member	2021-2024	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

There has been no change in the Bank's Board of Directors within second quarter.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Information on the Bank's Board Meetings

The Board of Directors issued 24 decisions in the period between January 1, 2021 - June 30, 2021. Board Members attended the meetings at a satisfactory level.

Senior Management and Directors

Name and Surname	Position
Ece Börü	CEO
Hakan Aygen	Executive Vice President - Corporate Finance, Specialized Loans, Loan Analysis, Loans Allocation
A. Ferit Eraslan	Executive Vice President – Financial Control, Budget Planning, Corporate Compliance
Aslı Zerrin Hancı	Executive Vice President - Treasury, Treasury & Capital Markets Operations, Loan Operations, Corporate Communication
Hasan Hepkaya	Executive Vice President - Corporate Banking Marketing, Corporate Banking Sales, Project Finance, Economic Research, Financial Advisory
Meral Murathan	Executive Vice President - Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring, Engineering and Technical Advisory
Poyraz Koğacıoğlu	Director – Corporate Finance
Özlem Bağdatlı	Director – Human Resources, Legal Affairs, Pension & Assistance Funds
Bilinç Tanağardı	Application Development, System & Network Support, Enterprise Architecture and Process Management

Changes in Senior Management and Directors

Mr. B. Gökhan Çanakpınar and Mr. H. Yetkin Kesler resigned from their post as Executive Vice President due to retirement on 30 June 2021.

Ms. Özlem Bağdatlı and Mr. Bilinç Tanağardı been appointed as Executive Vice President on 1 July 2021, The Resume of Ms. Bağdatlı and Mr. Tanağardı are as follows:

Özlem Bağdatlı

Born in Çanakkale in 1974, Özlem Bağdatlı graduated from the Faculty of Law at Marmara University in 1995. She started her career in the private sector in 1998. Beginning her career at TSKB as a Specialized Lawyer in 2003, Bağdatlı held various positions at the Directorate of Legal Affairs between 2003 and 2021. Appointed as Director on 1 July 2021, Bağdatlı is currently working as the Director responsible for the Departments of Legal Affairs, Human Resources, and Pension and Assistance Funds. She also acts as the Rapporteur of the Board of Directors.

Bilinç Tanağardı

Mr. Tanağardı was born in Konya in 1973 and graduated from the department of Computer Science Engineering at Istanbul University in 1994. He started his career at Degere International and then continued his career as a Software Engineer at Sınai Yatırım Bankası in 1999. Mr. Tanağardı joined TSKB in 2002 and after serving in a variety of roles and positions in Information Technology departments, He was promoted as Head of System and Network Support Department in 2015. In 1 July 2021, Mr. Tanağardı was appointed as Director of Information Technology and has currently been responsible for Application Development, Enterprise Architecture and Process Management and System and Network Support departments.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
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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)

ASSESSMENTS OF THE CHAIRMAN OF THE BOARD FOR THE PERIOD

Fighting against the pandemic was once more one of the top priority issues in the economy agenda in both our country and the world during the first half of 2021. While more positive expectations have surfaced about the course of the pandemic worldwide as the vaccination gets more widespread, some difference courses have arisen in the pandemic outlook, and because of new variants, uncertainties on economic outlook are yet to disappear. Specific to our country, while pandemic-induced global uncertainties have not been clearly eliminated yet, we believe that our country will make maximum use of global economic recovery owing to the tight position maintained by the Central Bank and our government to ensure price stability, the healthy, strong and durable balance sheet structure of our banking industry and the positive contribution by the vaccination, the pace of which has gained momentum during the 2Q2021, to the recovery of our economy. Backed by this faith, we and our stakeholders continue to work to support our national development thanks to our sustainable and inclusive growth vision.

Financial and monetary stimuli applied during the pandemic made a positive contribution to the economic growth in the first quarter of 2021, and this gives a strong signal about the potential post-pandemic economic bounce-back in Turkey. Notwithstanding the foregoing, the tight monetary and financial policies applied to eliminate upwards risks in the inflation outlook are thought to contribute to the maintenance of financial stability as well. Our banking industry runs its operations under the global pandemic conditions to meet financial needs of our nation, given the fact that it has consolidated its asset quality by completing its reorganization to a large extent in the last two years.

Hailing the sustainability strategy as the pivotal anchor of its business model, our Bank has run its operations during the pandemic in harmony with our stakeholders, and published semi-annual results in line with the year-end expectations. TSKB will continue to support the sustainable growth and development of Turkey during the remaining months of the year in line with its mission, medium- and long-term strategic targets.

Yours Sincerely,

Chairman of the Board

Adnan Bali

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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)

ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

Our sustainability journey, which began by lending environment loans in 1990s, remains applicable with a crystallized focus on harmony and fight against the climate change, which has started to manifest itself intensely on the wings of the pandemic and which has recently become more critical globally. While the increased pace of vaccination worldwide was welcomed, increases in cases due to different variants keep uncertainties in place. On the other hand, in direct proportion with the climate crisis, we see a surge in natural disasters all around the world. Forest fires that it both our country and the world during these days underline the need for collaboration and preventive steps against climate crisis risks as well. During these days when sustainable investments are more important than ever, TSKB continues to come up with several innovations in order to meet the needs of our stakeholders.

We were the only bank from Turkey that joined the Task Force on Climate-Related Financial Disclosures (TCFD) Phase 2 Banking Pilot Program in 2020. Similarly, our Bank joined the Phase 3 Program this year as well, and published its Climate Change Mitigation and Adaptation Policy, thus defining its strategy and principles against climate risks. Steps and actions that have been taken so far, and our portfolio's current position, and our foresights and future plans were shared in Climate Risks Report penned by us by taking into account TCFD recommendations. This report is a first in Turkish banking industry, and we proclaimed risks and opportunities identified by us and our evaluations in relation thereto as well as the place of climate change in our strategy and governance structure. With our road map as well as long-term targets, we underlined the fact that our support to a transition to a national industry based on low carbon economy will continue without slowing down.

We managed to pioneer once more in our country with the loan linked to ESG Risk rating last November; on the heels of it, this year, we rolled over our syndicated loan in a manner linked to the sustainability criteria. The roll-over ratio of the loan in the amount of USD 194 million turned out to be 130% in two tranches, USD 55 million and EUR 116 million with a participation of 14 banks in total from 11 different countries.

Targeting to enhance its operations in a manner to extend to sustainable financing means under the Investment Banking role, our Bank once more led the way in capital markets, and successfully completed the first lease certificate issue with a focus on UN Sustainable Development Goals (SDG). Zorlu Enerji, our stakeholder, raised a TL 45 million fund thanks to this issue which we acted as an intermediary following the sustainable lease certificate issuances, which was a first in the world as well as the first lease certificates in the natural gas distribution, food, transportation and health industries in Turkey. Zorlu Enerji will contribute to SDG 7: Accessible and Clean Energy, SDG 12: Responsible Consumption and Production and SDG 13: Climate Action thanks to its renewable energy investments in wind and solar energy industries.

Another significant development for this quarter was the awards we received from many precious international institutions thanks to our innovative and sustainable development and investment banking operations. Our Sustainable Lease Certificate issuance, which we achieved in a leading way in 2020, won the "Islamic Finance Deal of the Year in Europe" award distributed by The Banker Magazine. In addition, our Bank is hailed as the Turkey's Most Sustainable Bank by the World Finance and Euromoney chose us as the "Best Bank in the Central and Eastern Europe" in the "Sustainable Finance" category in Euromoney Awards for Excellence.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
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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 (continued)

In the second quarter of 2021 when the pace of vaccination has gained momentum, our Bank announced strong financial results. Our Bank's total asset size reached TL 61,2 billion while our total loan portfolio turned out to be TL 46,7 billion as it indicates our direct contribution to the real economy. In its new lending, our Bank has focused on meeting increased working capital needs of its customers because of the pandemic in addition to its efforts to finance investments in different sectors under its inclusiveness theme as well as renewable energy projects.

During the first six months in 2021, our net profit turned out to be TL 479,3 million in the same period. Our equity size reached TL 6,4 billion.

Without diverging from our route for sustainable and inclusive development banking role, we will continue without slowing down to bring innovative solutions to meet the needs of our stakeholders to guide them in their road to change and transformation backed by our corporate banking, investment banking and consultancy services.

Yours Sincerely,

CEO

Ece Börü

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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)

ECONOMIC DEVELOPMENTS IN THE INTERIM PERIOD

Economic Developments in the Second Quarter of 2021

While COVID-19 pandemic started to lose momentum worldwide in the second quarter in 2021, it was observed that vaccination has been more widespread while there are differences between the countries in this respect. Notwithstanding the foregoing, in some countries, the number of cases has increased faster in some countries due to Delta variant and there were some shortages in the manufacture of certain products. Against this backdrop, because of uncertainties about the course of the pandemic, downward risks over global outlook continued to remain relevant, and ongoing vaccination campaigns support the expectations of a global economic growth.

Notwithstanding the foregoing, the latest data confirm that global economic activities follow a course that is stronger than the expectations, and supply shortages as well as extended supply processes gave rise to cost increases and a stronger inflationist pressure. Although the Organization for Economic Cooperation and Development (OECD) revised its forecasts for the better by the end of May by factoring the latest developments in the world economy, it also kept its cautious standing about the extent and future of the recovery. According to OECD report, while the outlook is more positive now, it once more emphasises the warning that this recovery is not a widespread one and depends on the success of vaccination campaigns. In line with it, it boosted its growth expectations to 5,8% from 4,2% in 2021 for the global economy and set a 4,4% prediction for the growth in 2022. Commenting that the emergency of the delayed demand in developed countries as well as supply shortages gave rise to an increase in inflation and interest rates, OECD states that this has made economies of emerging countries more fragile, leading to tighter financial conditions. Arguing that the hike in the inflation is a temporary one, OECD noted its forecast that inflationist pressure will loosen by the end of this year as production processes become more normalized and consumption is balanced. It argues that a sharp increase in wages and prices is not very likely because a high number of people is missing from the work life. The report underlines that a strong international cooperation is critical for the outlook of near future, and warns that low income countries should be assisted in order to overcome health crises, and supporting policies should not be abandoned too early.

In alignment with global trends, the pace of vaccination has gained momentum in Turkey, and the number of COVID-19 cases has slowed down. The first quarter growth data pointed out a strong performance as the foreign demand maintained its strong momentum and monetary and financial supports provided during the pandemic remained in place. The gross national product (GNP) recorded a strong growth in 1Q2021. According to the data free of calendar and seasonal effects, the GNP grew by 1.7% on a year-over-year basis, and the annual growth rate free of calendar effect was 7,3% and was 7% in data with calendar effect. Based on these results, annualized growth performance bounced to 2,4% from 1,8%. The GNP in dollars rose to USD 728,5 billion from USD 717,4 billion (the figure by the end of 2020). The biggest contribution in spending side was from the private sector consumption and there was an annual growth in all business segments.

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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)

Economic Developments in the Second Quarter of 2021(continued)

Initial data for 2Q2021 point out that the slow-down in the economy remains limited, after industrial production shrunk by 0,8% in April, it once more grew by 1,3% in May. During the same period, retail sales declined by 5,8% and 6,1%, respectively. On the other hand, turnover indices shrunk by 1,3% in April bounced back by 3,3% in May. In the labour market, there was a mixed outlook because of the pandemic and restriction measures. According to the data deprived of seasonal factors, unemployment rate (13,2% in March 2021) rose to 13,8% in April only to fall back to 13,2% in May. While broad-defined unemployment indicators have slightly dropped in May, they maintained their high levels. While the lockdown measures in April and the first half of May pointed out a slow-down in domestic demand, the normalization in June supported it. Along with these results, the PMI index in manufacturing industry and the capital utilization ratio, confidence indexes as well as banking industry loan volume in June all confirmed that the weakening in domestic demand was a restricted one and the foreign demand continued to support economic activities.

Thanks to the sustainable domestic demand, the rise in inflation and the savings trend in the public industries, there was a gradual improvement in budget dynamics in the second quarter. Revenues rose by 43,6% in the second quarter annually, the annual increase in spending was 22,4%. This way, the budget balance which gave a deficit in the amount of TL 79,9 billion in 2Q2020 gave a deficit of TL 55,3 billion in 2Q2021. Non-interest deficit dropped to TL 13,4 billion from TL 46,9 billion during the same period. Strong momentum in tax revenues in the second quarter was supported by the slight recovery in non-tax revenues. Notwithstanding the foregoing, the fact that the public was inclined to proceed with savings in expenses contributed to the recovery in the budget balance. Upon these results, revenues rose by 38,5% on an annualized basis and the spending turned out to be 17,4% on an annualized basis during the first half. This way, the budget deficit (TL 109,5 billion during January-June 2020) dropped to TL 32,5 billion on a year-over-year basis, and the non-interest balance which was in deficit in the first half of the last year reached a TL 58,3 billion surplus.

Despite the hike in international energy prices and the slow-down in domestic demand the fact that foreign demand for manufacturing industry maintained its strength balances the risks associated with the current deficit. According to the initial data from the Ministry of Trade as well as TUIK (Turkish Statistical Institute) data, exports rose by 69,9% in April-May-June 2021 compared to the same period of 2020, the increase in importation was stuck to 50,5% during the same period. This way, the foreign trade deficit shrank by 7,2%. However, the recovery in service revenues, including mainly the tourism, was more limited because of the pandemic and lockdowns. The total 12-month current accounts deficit which was USD 36,3 billion as of March 2021 dropped to USD 31,9 billion in May, and the core current accounts surplus barring gold and energy rose to USD 12,5 billion from USD 6,7 billion. Notwithstanding the foregoing, tourism industry is expected to recover when the vaccination becomes fast.

There was a fluctuating course in the inflation because of the developments in FX rates and the accumulated costs triggered by global commodity prices in 2Q2021. The annual inflation rate of consumer price index (CPI) which was 16,2% in March 2021 rose to 17,1% in April only to drop to 16,6% in May. But, it quickened its pace in June, jumping to 17,5%. During the same period, the core inflation (C index) rose to 17,8% in April from 16,9% but fell down to 17,0% in May. This rate turned out to be 17,5% in June. The annual inflation rate of domestic producer price index (Domestic-PPI) was 31,2% in March 2021, but it constantly rose in the second quarter, hitting 42,9% in June. During the next period, public price adjustments, accumulated costs and high expectations along with the cost factors keep the upward risks in inflation alive.

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ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD (Continued)

Economic Developments in the Second Quarter of 2021(Continued)

Because of upward risks in inflation outlook, Turkish Central Bank (TCB) has maintained the policy rate at 19,0% since March, and repeated that it will maintain its firm standing until an apparent drop is seen in the inflation. However, TCB introduced significant changes in FX required reserves in order to boost the effectiveness of the monetary transfer mechanism early July. In this respect, TCB pulled down the maximum rate for keeping required reserves in FX from 20% to 10%, and required reserve ratios applicable to deposit/ participation fund in FX were increased by it by 200 basis points in all maturity segments. It was announced that upon this decision, required reserves in TL should be initially increased by TL 13,2 billion while required reserves in FX should increase by nearly USD 2,7 billion, TCB also decided that amounts that exist in FX deposit/ participation fund accounts as of 25 June 2021 and that are converted to TL deposit/ participation fund after that date will be exempted from the required reserve liability; that specific for required reserves created in TL, additional interest will be charged to enhance the share of TL in the total deposit/ participation fund in the banking system. Pursuant to this new policy, by taking into account the deposit/ participation fund subject to required reserve and existing as of 25 June 2021, the amount that was converted from the FX deposit/ participation fund to Turkish lira deposit/ participation fund with a term of one month or longer will remain exempt from the required reserve liability as long as it remains in that term TL account. Moreover, out of the required reserves in TL, such amount that is equal to the deposits converted from TL to FX times the highest required reserve ratio applicable to TL deposit/ participation fund shall be subject to a 19% interest. It was further announced that additional interest will be run on required reserves in TL other than the foregoing ones on a gradual basis on the condition that terms and criteria described above will be simultaneously met.

Early July, the Banking Regulation and Supervision Board adopted a number of macro-interim measures in coordination with relevant agencies to support price stability. In this respect, risk weights of consumer credit cards and consumer loans were increased and changes were introduced to term limits and credit value ratios of some consumer loans as well as the number of instalments in credit cards. Risk weights of consumer credit cards and consumer loans up to one year were raised to 100% from 75% and the risk weight of consumer loans with a term longer than one year rose to 150% from 75%. While the term applicable in credit card purchases of gold and furniture and similar goods was restricted, terms applicable in car loans were pulled down, the borrowing limits were reduced.

Markets

Because of the higher-than-expectations hike in the US inflation in the first quarter of 2021 and the worries that the US Federal Reserve (FED) may abandon the supporting standing earlier than expected, risky assets underwent a repricing process. This trend was partially curbed thanks to messages from policymakers in the second quarter. While the FED kept the interest rates unchanged in its June meeting, it brought forward the expectations about interest increases. While FED pushed- up the growth and inflation forecasts, its forecast that interest rates would remain unchanged until the end of 2023 was revised to an interest increase for two times. FED President and other FED members underlined that exit strategies would not be very aggressive in the markets and FED shall not loiter behind the market pricing, and this way uncertainties were lessened to some degree. Notwithstanding the foregoing, inflationist risks that were globally increased in the second quarter helped emerging economies normalize their monetary policy interests. In some emerging economies, interest rates were raised and volatilities have toned down because of lesser uncertainties. On the other hand, a surge in new COVID-19 cases with delta variant was witnessed in some economies towards the end of June in some economies, and a fragile outlook in risk appetite was seen.

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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)

Economic Developments in the Second Quarter of 2021(Continued)

In such an environment, Turkish financial assets followed up a mixed course in parallel with global trends. During the second quarter, Borsa Istanbul 100 index dropped by 2,5% and the benchmark 30 index rose by 2,3%. During the same term, the rise in the banking industry index turned out to be 11,1%, While the rise in FX rates continued the USD/TL exchange rate rose by 5.6% and Euro/TL exchange rate rose by 6,7% compared to the end of March 2021. The compound interest rate of 2-year benchmark bond dropped to 18,4% from 19,2% by the end of the second quarter.

Banking Sector

Total loans allocated by the banking industry rose by 9,3% on a nominal basis, and 4,1% minus the FX rate effects on a currency basket basis in the first half of 2021. From a point of view of the last one year, according to the calculation made by using the data published in the BRSA Weekly Bulletin, the loan increase minus FX rate effects dropped to 10% from 23% compared to the end of 2020. It was observed that there was an increase in FX loans next to Turkish lira loans, the loan increase in the second quarter was mainly driven by Turkish lira loans. During the first six-month, 64% of the loan increase came from the corporate loans while 36% was from consumer loans. The first six-month loans increase in corporate loans turned out to be 3,3% and this increase was at around 6,5% in consumer loans. Increase in consumer loans was supported by personal loans and credit card debts while, on the corporate loan side, the increase in both SME loans and other corporate loans is nearly the same.

While there was a limited increase in non-performing loans in the last weeks of June, there was not a significant change in the second quarter of the year, and there was a 1,1% drop in nominal basis in the first half of the year. The ratio of non-performing loans in the industry dropped to 3,68% from 4,0% (the figure at the end of 2020). The time for the application of the temporary regulation published by the BRSA in March 2020 for time periods by the end of which a loan may be called as non-performing was most recently extended from June 2021 to the end of September 2021. On the other hand, it was observed that banks increased their provisions for non-performing loans to 76% from 72% compared to 2020 end and this rise demonstrates that the industry gives a boost to its cautious standing.

On the funding side, it was observed that deposits rose by 11,7% on a nominal basis and 3,8% minus the effects of FX rates in the first half of the year. While TL deposits rose by 10,5% in the first six-month period, the FX deposit dropped by 1,6% free of the FX rate effect on the basis of currency basket rate. It is observed that except for development banks, TL loan/ deposit ratio dropped down to 143% as of the end of June after it had jumped to 150% at around 2020.

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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 ASSEMBLY DECISIONS

The Bank's Ordinary General Assembly Meeting was held at the Headquarters on 25 March 2021.

The 2020 Ordinary General Assembly Meeting was held with the participation of 183.034.200.171 shares corresponding to a total share capital of TL 1.830.342.001,713 out of 280.000.000.000 shares corresponding to the Bank's total share capital of TL 2.800.000.000, while 170.381.646.097 shares corresponding to a share capital of TL 1.703.816.460,974 were represented physically and 12.652.554.073 shares corresponding to a share capital of TL 126.525.540,739 were represented in the electronic environment. The participation rate was 65%.

The agenda items discussed and approved by the shareholders during the meeting are as follows:

- Chairing Committee of the Meeting was founded as required under the Bank's Articles of Association. It has been accepted with majority of the votes that the Meeting's Chairing Committee be authorized for the execution of meeting minutes.
- It has been accepted with majority of the votes that the Bank's Annual Report of the Board of Directors and Independent Audit Report related to its accounts and transactions in 2020 be read out and discussed.
- It has been accepted with majority of the votes that the Bank's 2020 balance sheet and profit-loss account be examined, negotiated, and approved.
- It has been accepted with majority of the votes that Mehmet Şencan, Can Yücel, Ahmet Hakan Ünal and Suat İnce who resigned from their Member of the Board positions be replaced by Mahmut Magemizoğlu, Ozan Uyar, Bahattin Özarslantürk and Ece Börü, respectively.
- It has been accepted with majority of the votes that the Board Members be released of their obligations.
- The determination and distribution of the dividend to be distributed have been approved with majority of the votes.
- The remuneration to be paid to the Members of the Board has been approved with majority of the votes.
- The election of the Board Members and Mithat Rende as independent member has been approved with majority of the votes.
- It has been accepted with majority of the votes that the Independent Auditing Company be chosen.
- The General Assembly was informed on the donations made within the year. In addition, the upper limit of the donations to be made in 2021 has been approved with majority of the votes.
- It has been accepted with majority of the votes that Board Members be authorized to perform the transactions listed in Articles 395 and 396 of the Turkish Commercial Code.
- The General Assembly has also been informed on the transactions set forth in Article 1.3.6 of the Capital Market Board's Series II-17.1 Corporate Governance Communiqué.

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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)

HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

TSKB completed its first lease certificate issue with a focus on UN Sustainable Development Goals and this was a first in capital markets. In line with Sukuk Issue Program with the sustainability theme in the total amount of TL 450 million created for Zorlu Enerji, a TL 45 million issue was completed. TSKB also successfully completed the first lease certificate issue in the health industry in Turkey, Thanks to Sukuk Issue Program worthy of TL 500 million in total in the name of MLP Sağlık Hizmetleri A.Ş. (MLP Care), a sum of TL 70 million was raised for funding purposes. During the same period, the public offering of Biotrend Çevre ve Enerji Yatırımları in the renewable energy field was successfully completed with a huge demand from the investors. Our Bank also served as the financial consultant on the seller side for the share transfer between Aygün Cerrahi Aletler, the manufacturer of medical equipment and CEECAT Capital.

On 8 July 2021, TSKB secured a syndicated loan linked to sustainability criteria in the amount of EUR 116 million and USD 55 million with the participation of 14 banks (4 of whom were new) from 11 different countries. The roll-over ratio of the 367-day term loan was 130%.

Having been measuring its carbon foot trace and publishing the results since 2006, TSKB voluntarily supports the Carbon Disclosure Project (CDP). Having published the first Climate Risks Report in Turkish banking industry by taking into account the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), TSKB underlined the fact that our support to a transition to a national industry based on low carbon economy will continue without slowing down. While TSKB announced a 63% reduction target until 2035 in line with Scope 1 which represents direct emissions, it stated that it would continue its policy to zero carbon release by using renewable energy only in its operations in line with Scope 2, which factors emissions arising from the electricity consumption.

TSKB won 4 separate awards in global organizations in the second quarter of the year. Thanks to Sustainable Lease Certificate issue worthy of TL 50 million in 2020 which was executed in the name of Zorlu Enerji, it was hailed as the winner in the “Islamic Finance Deal of the Year in Europe” award given away by The Banker Magazine. TSKB won “Bronze” medal thanks to its 2019 Integrated Activity Report in 6th Asia Sustainability Reporting Awards organized by CSR Works in the Sustainability Reporting, the “Turkey’s Most Sustainable Bank” award under the banking awards given by World Finance, and the “Best in the Sustainability Reporting field, and the “Best Bank in the Central and Eastern Europe” in the “Sustainable Finance” category in Euromoney Awards for Excellence.

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Developments Regarding the Bank's Corporate Governance Operations

The Bank's "Corporate Governance Compliance Report" and "Corporate Governance Information Forms" published on the Public Disclosure Form on 2 March 2021 are updated regularly. These reports are available at <https://www.kap.org.tr/en/Bildirim/914646> and <https://www.kap.org.tr/en/Bildirim/914648>.

Gross TL 73.280.776,02, which corresponds to 2,62% of the paid-in capital, resolved during the Ordinary General Assembly Meeting of our Bank on 25 March 2021, was distributed to shareholders in cash on 31 March 2021.

Members of the Board of Directors were elected at the General Assembly Meeting on 25 March 2021 and the following members were elected to the relevant committees at Board of Directors meeting dated 31 March 2021.

- Audit Committee –Mahmut Magemizoğlu (Chair), Gamze Yalçın (Member)
- Corporate Governance Committee –Gamze Yalçın (Chair), Zeynep Hansu Uçar (Member),
- Remuneration Committee –Gamze Yalçın (Chair), Zeynep Hansu Uçar (Member),
- Sustainability Committee –Mithat Rende, Ece Börü, Zeynep Hansu Uçar, Ozan Uyar,
- Credit Revision Committee –Mahmut Magemizoğlu (Chair), Ece Börü (Member), Ozan Uyar (Member), Bahattin Özarslantürk (Member)

FINANCIAL DEVELOPMENTS IN THE INTERIM PERIOD

Below is the summary of the Bank's major financial indicators as of 30 June 2021.

Its total asset size reached TL 61.2 billion upon a 16,7% increase compared to the end of 2020, and 27,4% increase on a year-over-year basis.

Its total loan portfolio turned out to be TL 46,7 billion as of the end of June, and it rose by 32,1% on a year-over-year basis and by 18,7% compared to the end of the year. Loans capture a 76,4% share in the assets. The ratio of non-performing loans to total loans remained stable (3,7%) as of the end of June compared to the previous quarter.

Equity rose by 17,0% on a year-over-year basis, and 5,5% compared to the end of 2020, reaching TL 6,5 billion. The capital adequacy ratio which was observed to be 19,4% by the end of 2020 turned out to be 18,2% as of the end of June.

During the first six-month period in 2021, net interest income was TL 1.203 million (a 30,3% increase) and fees and commissions were TL 76,7 million (a 30,7% increase). Cost-income ratio which was 11,2% in 2020 was 11,7% during the first half of 2021.

The net profit raised in the first six-month period jumped to TL 479,3 million (a 48,5% rise) on a year-over-year basis.

The return on equity (13,0% in 2020) was around 15,2% in 1H2021.

The return on assets (1,6% in 2020) was around 1,7% during the first six-month period in 2021.

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RISK MANAGEMENT

TSKB Risk Management Policies and implementation principles governing these policies comprise the written standards defined by the Board of Directors and enforced by the Bank's senior management.

In line with TSKB's Risk Management Policies, the main risks exposed by the Bank have been identified as credit risks, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department has been established within the Bank to ensure compliance with said risk policies and the codes of practice pertaining thereto, and manage the risks the Bank is exposed to in accordance with these policies.

TSKB Risk Management Department actively participates in all processes related to the management of risks, and regularly reports to the Board of Directors, Audit Committee, senior management, and the relevant departments of the Bank. The roles, responsibilities and structure of the Department have been set forth in the Regulation on Risk Management Department.

OTHER INFORMATION

Explanations related to the developments that had a significant impact on the banking activities in the relevant period are provided above. Please see our 2020 Annual Integrated Report available at the following address for further details: <https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020>