

# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi**

**Publicly announced unconsolidated financial  
statements and related disclosures at September 30,  
2023 together with auditor's review report and  
interim activity report**

## **Convenience Translation of the Auditor's Review Report Originally Issued in Turkish**

### **Independent Auditors' Report on Review of Unconsolidated Interim Financial Information**

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

#### **Introduction**

We have reviewed the unconsolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") at September 30, 2023 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. 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 of Qualified Conclusion**

As explained in Section Five II.7 Explanations and Disclosures Related to the Liabilities of Balance Sheet, the accompanying unconsolidated financial statements as at September 30, 2023 include a free provision at an amount of TL 900,000 thousands provided in prior years and TL 850,000 allocated in the current period, totaling TL 1,750,000 by the Bank management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

### **Qualified Conclusion**

Based on our review, except for the effect of the matter referred in the basis of qualified conclusion paragraph on the unconsolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. at September 30, 2023 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### **Report on other regulatory requirements arising from legislation**

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

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



Fatma Ebru Tücel, SMMM  
Partner

31 October 2023  
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the nine 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.

31 October 2023

**Adnan BALİ**

**Chairman of  
Board of Directors**

**Murat BİLGİÇ**

**Member of  
Board of Directors  
and General Manager**

**Engin TOPALOĞLU**

**Executive Vice President  
In Charge of Financial  
Reporting**

**Dilek PEKCAN MİŞE**

**Head of Financial  
Control Department**

**Gamze YALÇIN**

**Chairman of Audit Committee**

**Bahattin ÖZARSLANTÜRK**

**Member of Audit Committee**

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

**Name-Surname / Title** : Gizem Pamukçuoğlu / Head of Financial Institutions and Investor Relations  
**Telephone Number** : (212) 334 52 58

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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2023**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

<b>Current Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group (*)	1.438.280	51,37	1.438.280	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.127.150	40,25	1.127.150	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

  

<b>Prior Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group	1.441.989	51,49	1.441.989	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.123.441	40,13	1.123.441	-
<b>Total</b>	<b>2.800.000</b>	<b>100,00</b>	<b>2.800.000</b>	<b>-</b>

(\*) In the PDP statement dated 25.08.2023, İş Bank Group, the main shareholder of the Bank, was informed regarding the transfer of the subsidiaries and affiliate shares owned by İşbank to a joint stock company to be established as a 100% subsidiary of İş Bank Group with the same ownership ratio, within the framework of the relevant laws, regulations and other legislation. Within the scope of the statement, there will be no change in the partnership share ratios. The impact of the transfer process on the Bank is not expected.

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since December 26, 1986. The Bank's 51,37 % of the shares belongs to İş Bank Group and 38,80 % of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2023**

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

**SECTION ONE (Continued)**  
**GENERAL INFORMATION (Continued)**

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

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

Name Surname	Title (1)
Adnan Bali	Chairman of the Board of Directors
Ece Böri	Vice Chairman of the Board of Directors
Murat Bilgiç	Member of the Board of Directors and General Manager
Gamze Yalçın	Independent Member of the Board of Directors and Chairman of Audit Committee
Bahattin Özarslantürk	Independent Member of the Board of Directors and Member of Audit Committee
Mithat Rende	Member of the Board of Directors
Murat Doğan	Member of the Board of Directors
Celal Caner Yıldız	Member of the Board of Directors
Abdi Serdar Üstünsalih	Member of the Board of Directors
M. Sefa Pamuksuz (2)	Independent Member of the Board of Directors
Cengiz Yavilioğlu	Member of the Board of Directors

**General Manager and Vice Presidents (3)**

Name Surname	Title / Area of Responsibility
Murat Bilgiç	General Manager
Seyit Hüseyin Gürel (4)	Executive Vice President – Consulting Services Sales,, Financial and Technical Consulting Structuring and Analysis, Credit Allocation, Credit Structuring and Resolution, Engineering
Hasan Hepkaya	Executive Vice President, Corporate Banking Sales, Project Finance, Corporate Banking Marketing
Meral Murathan	Executive Vice President – Treasury, Financial Institutions and Investor Relations, Development Finance Institutions, Economic Researches
Engin Topaloğlu	Executive Vice President - Financial Control, Budget and Planning, Procurement and Financial Affairs Management
Özlem Bağdathı	Executive Vice President – Human Resources, Legal Affairs, Pension and Regular Foundations
Mustafa Biling Tanağardı	Executive Vice President – Application Development, System Support and Operation, Enterprise Architecture and Process Management
Poyraz Koğacioğlu	Executive Vice President – Corporate Finance

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

(2) Member of the Board of Directors, Mr. Hüseyin Yalçın resigned from his post. At the Bank's Board of Directors meeting dated March 21, 2023, it was decided to elect Mr. M. Sefa Pamuksuz Yıldız to the vacant Member of Board of Directors within the framework of Article 363 of the Turkish Commercial Code.

(3) As of February 28, 2023, Mr. A. Ferit Eraslan, Executive Vice President of our Bank; Mr. Hakan Aygen has resigned from his position due to retirement as of August 31, 2023.

(4) At the meeting of the Board of Directors of our Bank dated August 28, 2023; It has been decided to appoint Mr. Seyit Hüseyin Gürel as the Deputy General Manager

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 2023 in the General Assembly Meeting held on March 28, 2023.

## **SECTION ONE (Continued)**

### **GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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

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

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2023**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (“TSKB GYO”) was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 88,74%. The company’s headquarters is located at Istanbul/Turkey.

**İş Finansal Kiralama A.Ş. :**

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

**İş Faktoring A.Ş. :**

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

**İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :**

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF UNCONSOLIDATED**  
**FINANCIAL POSITION) AS OF SEPTEMBER 30, 2023**

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

ASSETS	Section 5 Note I	Reviewed Current Period 30 September 2023			Audited Prior Period 31 December 2022		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>15.649.466</b>	<b>14.189.975</b>	<b>29.839.441</b>	<b>10.461.460</b>	<b>12.874.948</b>	<b>23.336.408</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>12.482.065</b>	<b>5.426.103</b>	<b>17.908.168</b>	<b>5.757.326</b>	<b>4.129.714</b>	<b>9.887.040</b>
1.1.1 Cash and Balances with Central Bank	(1)	4.739	3.068.253	3.072.992	18.958	2.778.981	2.797.939
1.1.2 Banks	(3)	690	2.358.496	2.359.186	20.454	1.351.308	1.371.762
1.1.3 Money Market Placements		12.477.194	-	12.477.194	5.718.471	-	5.718.471
1.1.4 Expected Credit Losses (-)		558	646	1.204	557	575	1.132
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	-	-	-	-	-	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>2.514.150</b>	<b>6.661.714</b>	<b>9.175.864</b>	<b>3.743.504</b>	<b>7.310.268</b>	<b>11.053.772</b>
1.3.1 Government Debt Securities		2.142.396	6.026.489	8.168.885	2.846.542	6.903.245	9.749.787
1.3.2 Equity Instruments		130.701	635.225	765.926	71.360	407.023	478.383
1.3.3 Other Financial Assets		241.053	-	241.053	825.602	-	825.602
<b>1.4 Derivative Financial Assets</b>	(2)	<b>653.251</b>	<b>2.102.158</b>	<b>2.755.409</b>	<b>960.630</b>	<b>1.434.966</b>	<b>2.395.596</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		653.251	2.102.158	2.755.409	960.630	1.434.966	2.395.596
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>14.931.578</b>	<b>111.586.936</b>	<b>126.518.514</b>	<b>12.946.934</b>	<b>74.654.449</b>	<b>87.601.383</b>
<b>2.1 Loans</b>	(5)	<b>9.366.593</b>	<b>106.014.781</b>	<b>115.381.374</b>	<b>9.008.274</b>	<b>70.885.506</b>	<b>79.893.780</b>
<b>2.2 Lease Receivables</b>	(10)	<b>36.617</b>	<b>411.147</b>	<b>447.764</b>	<b>34.615</b>	<b>345.616</b>	<b>380.231</b>
<b>2.3 Factoring Receivables</b>		-	-	-	-	-	-
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	(6)	<b>7.700.371</b>	<b>9.636.568</b>	<b>17.336.939</b>	<b>6.195.613</b>	<b>6.630.368</b>	<b>12.825.981</b>
2.4.1 Government Debt Securities		7.700.371	9.636.568	17.336.939	6.195.613	6.630.368	12.825.981
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>2.172.003</b>	<b>4.475.560</b>	<b>6.647.563</b>	<b>2.291.568</b>	<b>3.207.041</b>	<b>5.498.609</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(16)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>5.531.235</b>	-	<b>5.531.235</b>	<b>3.483.384</b>	-	<b>3.483.384</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>2.803.950</b>	-	<b>2.803.950</b>	<b>1.493.750</b>	-	<b>1.493.750</b>
4.1.1 Accounted Under Equity Method		2.803.950	-	2.803.950	1.493.750	-	1.493.750
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>2.727.285</b>	-	<b>2.727.285</b>	<b>1.989.634</b>	-	<b>1.989.634</b>
4.2.1 Unconsolidated Financial Subsidiaries		2.658.558	-	2.658.558	1.937.664	-	1.937.664
4.2.2 Unconsolidated Non-Financial Subsidiaries		68.727	-	68.727	51.970	-	51.970
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(12)	<b>315.830</b>	-	<b>315.830</b>	<b>196.705</b>	-	<b>196.705</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>6.092</b>	-	<b>6.092</b>	<b>2.876</b>	-	<b>2.876</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		6.092	-	6.092	2.876	-	2.876
<b>VII. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>VIII. CURRENT TAX ASSET</b>		-	-	-	-	-	-
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>1.173.957</b>	-	<b>1.173.957</b>	<b>710.021</b>	-	<b>710.021</b>
<b>X. OTHER ASSETS (Net)</b>	(17)	<b>217.507</b>	<b>383.725</b>	<b>601.232</b>	<b>145.950</b>	<b>98.645</b>	<b>244.595</b>
<b>TOTAL ASSETS</b>		<b>37.825.665</b>	<b>126.160.636</b>	<b>163.986.301</b>	<b>27.947.330</b>	<b>87.628.042</b>	<b>115.575.372</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF UNCONSOLIDATED FINANCIAL POSITION) AS OF SEPTEMBER 30, 2023**

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

LIABILITIES AND EQUITY	Section 5 Note II	Reviewed Current Period 30 September 2023			Audited Prior Period 31 December 2022		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	(3)	31.027	99.678.189	99.709.216	-	70.814.085	70.814.085
<b>III. MONEY MARKET BALANCES</b>		120.620	2.322.742	2.443.362	186.307	1.256.559	1.442.866
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(3)	-	28.897.328	28.897.328	-	21.047.752	21.047.752
4.1 Bills		-	-	-	-	-	-
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	28.897.328	28.897.328	-	21.047.752	21.047.752
<b>V. BORROWER FUNDS</b>		113.888	529.892	643.780	27.907	709.826	737.733
5.1 Borrower Funds		113.888	529.892	643.780	27.907	709.826	737.733
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	59.065	1.418.808	1.477.873	169.996	962.347	1.132.343
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		59.065	1.418.808	1.477.873	169.996	962.347	1.132.343
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(5)	127.493	-	127.493	2.245	-	2.245
<b>X. PROVISIONS</b>	(7)	1.900.499	84.745	1.985.244	993.190	49.640	1.042.830
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		42.880	-	42.880	31.051	-	31.051
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		1.857.619	84.745	1.942.364	962.139	49.640	1.011.779
<b>XI. CURRENT TAX LIABILITY</b>	(8)	1.373.224	-	1.373.224	551.910	-	551.910
<b>XII. DEFERRED TAX LIABILITY</b>	(8)	-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	-	5.463.196	5.463.196	-	3.829.127	3.829.127
14.1 Loans		-	5.463.196	5.463.196	-	3.829.127	3.829.127
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>		409.423	2.558.878	2.968.301	321.498	1.870.976	2.192.474
<b>XVI. SHAREHOLDERS' EQUITY</b>		19.140.585	(243.301)	18.897.284	13.048.337	(266.330)	12.782.007
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2 Capital Reserves		14.658	-	14.658	374	-	374
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		14.658	-	14.658	374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.835.067	146.020	2.981.087	849.348	95.052	944.400
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		450.086	(389.321)	60.765	1.371.832	(361.382)	1.010.450
16.5 Profit Reserves		8.012.499	-	8.012.499	3.971.749	-	3.971.749
16.5.1 Legal Reserves		631.996	-	631.996	429.245	-	429.245
16.5.2 Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3 Extraordinary Reserves		7.301.942	-	7.301.942	3.463.943	-	3.463.943
16.5.4 Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6 Profit Or Loss		5.028.275	-	5.028.275	4.055.034	-	4.055.034
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		5.028.275	-	5.028.275	4.055.034	-	4.055.034
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>23.275.824</b>	<b>140.710.477</b>	<b>163.986.301</b>	<b>15.301.390</b>	<b>100.273.982</b>	<b>115.575.372</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2023**

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

		Reviewed Current Period 30 September 2023			Audited Prior Period 31 December 2022			
OFF BALANCE SHEET		Section 5 Note III	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		23.828.937	145.953.149	169.782.086	15.389.185	106.612.848	122.002.033
I.	GUARANTEES AND COLLATERALS	(1)	2.967.198	12.470.585	15.437.783	1.488.296	5.817.315	7.305.611
1.1	Letters of Guarantee		2.508.799	6.082.380	8.591.179	1.166.776	2.568.770	3.735.546
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		2.508.799	6.082.380	8.591.179	1.166.776	2.568.770	3.735.546
1.2	Bank Acceptances		-	-	-	-	39.643	39.643
1.2.1	Import Letter of Acceptance		-	-	-	-	39.643	39.643
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		458.399	6.388.205	6.846.604	321.520	3.208.902	3.530.422
1.3.1	Documantary Letters of Credit		458.399	6.388.205	6.846.604	321.520	3.208.902	3.530.422
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)	1.984.009	4.802.502	6.786.511	1.847.452	9.504.856	11.352.308
2.1	Irrevocable Commitments		1.363.158	578.592	1.941.750	1.036.616	270.614	1.307.230
2.1.1	Forward Asset Purchase and Sale Commitments		60.532	379.504	440.036	53.598	110.188	163.786
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	167.506	167.506	-	138.750	138.750
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		1.302.626	31.582	1.334.208	983.018	21.676	1.004.694
2.2	Revocable Commitments		620.851	4.223.910	4.844.761	810.836	9.234.242	10.045.078
2.2.1	Revocable Loan Granting Commitments		620.851	4.223.910	4.844.761	810.836	9.234.242	10.045.078
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	18.877.730	128.680.062	147.557.792	12.053.437	91.290.677	103.344.114
3.1	Derivative Financial Instruments for Hedging Purposes		-	35.542.723	35.542.723	-	26.497.037	26.497.037
3.1.1	Fair Value Hedge		-	35.542.723	35.542.723	-	26.497.037	26.497.037
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		18.877.730	93.137.339	112.015.069	12.053.437	64.793.640	76.847.077
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.435.786	1.799.835	3.235.621	690.671	873.913	1.564.584
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.435.786	232.304	1.668.090	690.671	163.686	854.357
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	1.567.531	1.567.531	-	710.227	710.227
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		17.441.944	91.202.806	108.644.750	11.362.766	63.919.727	75.282.493
3.2.2.1	Foreign Currency Swap-Buy		281.281	25.343.407	25.624.688	77.756	17.764.305	17.842.061
3.2.2.2	Foreign Currency Swap-Sell		17.085.775	8.486.025	25.571.800	11.128.122	5.963.930	17.092.052
3.2.2.3	Interest Rate Swap-Buy		37.444	28.686.687	28.724.131	78.444	20.095.746	20.174.190
3.2.2.4	Interest Rate Swap-Sell		37.444	28.686.687	28.724.131	78.444	20.095.746	20.174.190
3.2.3	Foreign Currency, Interest Rate, and Securities Options		-	134.152	134.152	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	67.076	67.076	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	67.076	67.076	-	-	-
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		-	546	546	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		299.175.928	1.979.442.725	2.278.618.653	153.748.488	1.202.596.098	1.356.344.586
IV.	ITEMS HELD IN CUSTODY		39.136	4.066.411	4.105.547	122.779	2.498.840	2.621.619
4.1	Customers' Securities Held		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		10.569	4.066.411	4.076.980	72.203	2.498.840	2.571.043
4.3	Checks Received for Collection		-	-	-	-	-	-
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		28.567	-	28.567	50.576	-	50.576
V.	PLEDGES ITEMS		289.272.550	1.603.833.490	1.893.106.040	146.273.178	958.585.809	1.104.858.987
5.1	Marketable Securities		456.247	-	456.247	456.247	-	456.247
5.2	Guarantee Notes		201.060	3.106.134	3.307.194	131.668	2.557.299	2.688.967
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		92.596.751	498.125.869	590.722.620	55.452.686	256.863.629	312.316.315
5.6	Other Pledged Items		196.018.492	1.102.601.487	1.298.619.979	90.232.577	699.164.881	789.397.458
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED BILL OF EXCHANGE AND COLLATERALS		9.864.242	371.542.824	381.407.066	7.352.531	241.511.449	248.863.980
TOTAL OFF BALANCE SHEET ITEMS (A+B)			323.004.865	2.125.395.874	2.448.400.739	169.137.673	1.309.208.946	1.478.346.619

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR NINE-MONTH PERIOD THEN ENDED SEPTEMBER 30, 2023**

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

STATEMENT OF PROFIT OR LOSS		Revised Current Period January 1, 2023 – September 30, 2023	Reviewed Prior Period January 1, 2022 – September 30, 2022	Revised Current Period July 1, 2023 – September 30, 2023	Reviewed Prior Period July 1, 2022 – September 30, 2022
		Dipnot			
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>11.730.545</b>	<b>6.905.446</b>	<b>4.697.711</b>	<b>2.825.142</b>
1.1 Interest on Loans		7.561.544	3.606.818	2.881.895	1.427.244
1.2 Interest Received from Reserve Deposits		53	309	26	1
1.3 Interest Received from Banks		18.025	4.581	7.919	3.155
1.4 Interest Received from Money Market Placements		515.821	472.337	292.918	116.016
1.5 Interest Received from Marketable Securities Portfolio		3.600.572	2.794.698	1.500.747	1.264.944
1.5.1 Fair Value Through Profit or Loss		-	3	-	-
1.5.2 Fair Value Through other Comprehensive Income		692.440	762.543	222.845	273.225
1.5.3 Measured at Amortized Cost		2.908.132	2.032.152	1.277.902	991.719
1.6 Finance Lease Income		22.063	14.554	9.078	5.419
1.7 Other Interest Income		12.467	12.149	5.128	8.363
<b>II. INTEREST EXPENSES (-)</b>	<b>(2)</b>	<b>5.229.416</b>	<b>2.240.142</b>	<b>2.064.151</b>	<b>909.229</b>
2.1 Interest on Deposits		-	-	-	-
2.2 Interest on Funds Borrowed		4.057.381	1.208.561	1.652.346	553.867
2.3 Interest on Money Market Borrowings		129.192	45.575	28.107	16.430
2.4 Interest on Securities Issued		969.411	976.369	354.110	333.605
2.5 Leasing Interest Expense		24.133	2.706	8.168	669
2.6 Other Interest Expense		49.299	6.931	21.420	4.658
<b>III. NET INTEREST INCOME (I - II)</b>		<b>6.501.129</b>	<b>4.665.304</b>	<b>2.633.560</b>	<b>1.915.913</b>
<b>IV. NET FEES AND COMMISSIONS INCOME / EXPENSES</b>		<b>287.304</b>	<b>119.472</b>	<b>150.587</b>	<b>36.658</b>
4.1 Fees and Commissions Received		305.750	130.664	159.391	40.520
4.1.1 Non-cash Loans		119.921	39.211	51.508	15.478
4.1.2 Other		185.829	91.453	107.883	25.042
4.2 Fees and Commissions Paid (-)		18.446	11.192	8.804	3.862
4.2.1 Non-cash Loans		5.141	2.729	1.555	952
4.2.2 Other		13.305	8.463	7.249	2.910
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>10.435</b>	<b>9.186</b>	<b>714</b>	<b>3.409</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>1.928.551</b>	<b>795.846</b>	<b>188.912</b>	<b>328.713</b>
6.1 Securities Trading Gains / (Losses)		(20.920)	6.160	(7.109)	(44)
6.2 Derivative Financial Instruments Gains / Losses		2.211.512	3.006.578	228.921	1.072.845
6.3 Foreign Exchange Gains / Losses (Net)		(262.041)	(2.216.892)	(32.900)	(744.088)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>113.477</b>	<b>85.717</b>	<b>2.512</b>	<b>43.922</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>8.840.896</b>	<b>5.675.525</b>	<b>2.976.285</b>	<b>2.328.615</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1.427.048</b>	<b>1.842.146</b>	<b>187.241</b>	<b>829.316</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>(6)</b>	<b>870.000</b>	<b>384.403</b>	<b>170.000</b>	<b>-</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>498.400</b>	<b>239.546</b>	<b>198.909</b>	<b>102.251</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>327.782</b>	<b>138.864</b>	<b>111.485</b>	<b>54.478</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>5.717.666</b>	<b>3.070.566</b>	<b>2.308.650</b>	<b>1.342.570</b>
<b>XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>1.076.711</b>	<b>343.983</b>	<b>346.376</b>	<b>114.498</b>
<b>XVI. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>6.794.377</b>	<b>3.414.549</b>	<b>2.655.026</b>	<b>1.457.068</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>1.766.102</b>	<b>770.525</b>	<b>798.281</b>	<b>334.218</b>
18.1 Provision for Current Income Taxes		2.098.208	986.573	1.335.453	420.559
18.2 Deferred Tax Income Effect (+)		885.227	518.122	118.111	117.738
18.3 Deferred Tax Expense Effect (-)		1.217.333	734.170	655.283	204.079
<b>XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(9)</b>	<b>5.028.275</b>	<b>2.644.024</b>	<b>1.856.745</b>	<b>1.122.850</b>
<b>XX. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXII. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1 Provision for Current Income Taxes		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. ET PROFIT/LOSS (XIX+XXIV)</b>	<b>(10)</b>	<b>5.028.275</b>	<b>2.644.024</b>	<b>1.856.745</b>	<b>1.122.850</b>
Earning / (loss) per share		1,796	0,944	0,663	0,401

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD THEN ENDED SEPTEMBER 30, 2023**

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

	Reviewed Current Period 1 January 2023 – 30 September 2023	Reviewed Prior Period 1 January 2022 – 30 September 2022
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. CURRENT PERIOD INCOME / LOSS</b>	<b>5.028.275</b>	<b>2.644.024</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>1.087.002</b>	<b>47.042</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>2.036.687</b>	<b>57.174</b>
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	2.053.059	58.530
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(16.372)	(1.356)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>(949.685)</b>	<b>(10.132)</b>
2.2.1 Foreign Currency Translation Differences	149.560	42.934
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(851.913)	(125.117)
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	(395.534)	21.537
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	148.202	50.514
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6.115.277</b>	<b>2.691.066</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE-MONTH PERIOD THEN ENDED SEPTEMBER 30, 2023**

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

						Accumulated Other Comprehensive Incomes or Expenses Not Reclassified Through Profit or Loss				Accumulated Other Comprehensive Incomes or Expenses Reclassified Through Profit or Loss								
CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
Prior Period – 30 September 2022																		
I. Balance at Beginning of the Period		2.800.000	-	-	374	59.493	(4.472)	150.547	104.425	(283.295)	141.817	2.882.741	1.089.008	-	6.940.638	-	6.940.638	
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	59.493	(4.472)	150.547	104.425	(283.295)	141.817	2.882.741	1.089.008	-	6.940.638	-	6.940.638	
IV. Total Comprehensive Income		-	-	-	-	(1.636)	280	58.530	42.934	(74.603)	21.537	-	-	2.644.024	2.691.066	-	2.691.066	
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1.089.008	(1.089.008)	-	-	-	-	
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.045.883	(1.045.883)	-	-	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	43.125	(43.125)	-	-	-	-	
Period-End Balance (III+IV+.....+X+XI)		2.800.000	-	-	374	57.857	(4.192)	209.077	147.359	(357.898)	163.354	3.971.749	-	2.644.024	9.631.704	-	9.631.704	

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency Translition Differences

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE-MONTH PERIOD THEN ENDED SEPTEMBER 30, 2023**

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

		Accumulated Other Comprehensive Incomes or Expenses Not Reclassified Through Profit or Loss				Accumulated Other Comprehensive Incomes 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. Current Period – 30 September 2023																	
Balance at Beginning of the Period		2.800.000	-	-	374	144.930	247	799.223	173.399	441.517	395.534	3.971.749	4.055.034	-	12.782.007	-	12.782.007
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	144.930	247	799.223	173.399	441.517	395.534	3.971.749	4.055.034	-	12.782.007	-	12.782.007
IV. Total Comprehensive Income		-	-	-	-	(16.356)	(16)	2.053.059	149.560	(703.711)	(395.534)	-	-	5.028.275	6.115.277	-	6.115.277
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	14.284	-	-	-	-	-	-	4.040.750	(4.055.034)	-	-	-	-
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	3.895.462	(3.895.462)	-	-	-	-	-
11.3 Other		-	-	-	14.284	-	-	-	-	-	-	145.288	(159.572)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		2.800.000	-	-	14.658	128.574	231	2.852.282	322.959	(262.194)	-	8.012.499	-	5.028.275	18.897.284	-	18.897.284

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4.Foreign Currency Translition Differences

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

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

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD THEN ENDED SEPTEMBER 30, 2023**

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

	Note	Reviewed Current Period 30 September 2023	Reviewed Prior Period 30 September 2022
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>5.433.520</b>	<b>4.998.923</b>
1.1.1 Interest Received		8.671.160	5.131.147
1.1.2 Interest Paid		(4.705.768)	(2.268.144)
1.1.3 Dividends Received		10.435	15.268
1.1.4 Fees and Commissions Received		305.750	130.664
1.1.5 Other Income		103.776	570.658
1.1.6 Collections from Previously Written off Loans		153.056	100.267
1.1.7 Payments to Personnel and Service Suppliers		(516.205)	(230.345)
1.1.8 Taxes Paid		(816.372)	(688.359)
1.1.9 Others		2.227.688	2.237.767
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(3.044.467)</b>	<b>3.813.403</b>
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		(523.970)	6.813.557
1.2.4 Net (Increase) (Decrease) in Other Assets		(678.392)	(517.480)
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		(3.330.222)	(4.980.564)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		1.488.117	2.497.890
<b>I. Net Cash Provided by / (used in) Banking Operations</b>		<b>2.389.053</b>	<b>8.812.326</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided by / (used in) Investing Activities</b>		<b>3.758.638</b>	<b>(3.899.783)</b>
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-	-
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(9.226)	(7.809)
2.4 Disposals of Property and Equipment		1.586	276
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(275.468)	(3.049.951)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		4.147.879	3.092.211
2.7 Purchase of Financial Assets Measured at Amortized Cost		(397.215)	(4.308.159)
2.8 Sale of Financial Assets Measured at Amortized Cost		296.708	374.053
2.9 Others		(5.626)	(404)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided by / (used in) Financing Activities</b>		<b>1.427.844</b>	<b>(1.542.489)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		8.017.994	2.916.300
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(6.513.172)	(4.422.450)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Leases		(76.978)	(36.339)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>157.305</b>	<b>400.696</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>7.732.840</b>	<b>3.770.750</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>7.056.949</b>	<b>3.219.221</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>14.789.789</b>	<b>6.989.971</b>

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

## **SECTION THREE**

### **ACCOUNTING POLICIES**

#### **I. Basis of presentation**

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the principles published by the Banking Regulation and Supervision Agency ("BRSA").

The accounting policies and valuation principles used in the 2023 period are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

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

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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on September 30, 2023 in accordance with TAS 29. In this context, unconsolidated financial statements as of September 30, 2023, in accordance with TFRS are not adjusted for inflation (TAS 29 is not applied).

##### **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 XXII.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**I. Basis of presentation (Continued)**

**I.b The valuation principles used in the preparation of the financial statements (continued)**

As it is intended to update the financial information contained in the latest annual financial statements in the interim period financial statements prepared as of March 30, 2023, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote VIII “Disclosures on impairment of financial assets”. In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

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

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

**Changes in accounting policies and disclosures**

TAS / TFRS changes, which entered into force as of January 1, 2023, 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.

**I.d Other**

The conflict between Russia and Ukraine since January 2022 still continues as of the report date. The Bank does not carry out any activities in these two countries that are subject to the crisis. Considering the geographies in which the Bank operates, no direct impact is expected on Bank operations. However, as of the date of this report, it is not possible to reasonably estimate the effects of the global developments and their potential impact on the global and regional economy, on the Bank’s operations because of the uncertainty about how the crisis will evolve.

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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

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

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

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

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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Explanations on forward and option contracts and derivative instruments**

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

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income".

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

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

**IV. Explanations on associates and subsidiaries**

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Revenues obtained through contracts or through the purchase of assets for a third party real person or corporate person are recorded in the period when they occur.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets**

**Initial recognition of financial instruments**

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

**Initial measurement of financial instruments**

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

**Classification of financial instruments**

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

**Assessment of business model**

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model is not dependent on management's intentions for an individual financial instrument, so the requirement is not an instrument-based classification approach, but rather an aggregate valuation of financial assets. While assessing the business model used for the management of financial assets, all relevant evidence available at the time of the assessment is taken into account. Such evidence includes:

- How the performance of financial assets held within the scope of the business model and business model is reported to key management personnel,
- Risks affecting the performance of the business model (financial assets held within the scope of the business model), and in particular the way these risks are managed and
- How the additional payments to managers are determined (for example, whether the bonuses are based on the fair value of the assets managed or on the contractual cash flows collected).

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**Assessment of business model (continued)**

The business model evaluation is not made on the basis of scenarios that the business does not reasonably expect to occur, such as “worst case” or “pressure case ” scenarios. The fact that cash flows differed from expectations at the time the business model was evaluated does not require error correction in the financial statements or a change in the classification of other financial assets using the same business model, as long as all relevant information available at the date of the business model evaluation is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how cash flows have been realized in the past, along with other relevant information, is also taken into account. The aforementioned business models consist of three categories. These categories are stated below:

- Business model whose aimed to hold assets in order to collect contractual cash flows: This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. Financial assets held under this business model are measured at amortized cost 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 at specified dates.

- Business model whose aimed to hold assets in order to collect contractual cash flows and selling financial assets: Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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**

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In 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.



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**Measurement categories of financial assets and liabilities**

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

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

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

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. The bank has used the option to classify some of its loans and securities issued irrevocably as financial assets/liabilities at fair value through profit or loss in order to eliminate accounting mismatches in accordance with TFRS 9 at the time of first disbursement. Financial assets at fair value through profit or loss are recorded with their fair values and are then valued with their fair values. Gains and losses resulting from the valuation are included in the profit/loss accounts. In accordance with the Uniform Chart of Accounts (THP) explanations, the positive difference between the acquisition cost and the discounted value of the financial asset is in "Interest Income", if the fair value of the asset is above the discounted value, the positive difference is calculated in the "Capital Market Transactions Profits" account. if the fair value is below the discounted value, the negative difference between the discounted value and the fair value is recorded in the "Capital Market Transactions Losses" account. In case the financial asset is disposed of before its maturity, the resulting gains or losses are accounted for on the same basis.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

During initial recognition an entity can choose in an 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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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.

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

**d. Loans:**

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

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

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

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**Calculation of expected credit losses**

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

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

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

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

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

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

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

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

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

***Stage 1:***

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

***Stage 2:***

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

***Stage 3:***

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

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

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

**Debt instruments measured at fair value through other comprehensive income**

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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

**Significant increase in credit risk**

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

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

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

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

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

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. 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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**a. Offsetting of financial instruments**

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

**b. Derecognition of financial instruments**

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

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

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

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

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

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

**Derecognition of financial liabilities**

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

**c. Reclassification of financial instruments**

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets. The Bank’s reclassification details of financial assets are presented in Section Three, Note VII.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**d. Restructuring and refinancing of financial instruments**

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

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

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

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

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

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

- Recovery in debt service

- At least one year should pass over the date of restructuring

- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing

- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

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



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

**XIII. Explanations on tangible assets**

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

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XIII. Explanations on tangible assets (continued)**

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

<b>Tangible Assets</b>	<b>Expected Useful Lives (Years)</b>	<b>Depreciation Rate (%)</b>
Cashvaul	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

**XIV. Explanations on leasing transactions*****The Bank as Lessor***

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

***The Bank as Lessee***

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

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

**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 January 1, 2019.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on leasing transactions (continued)**

The Bank has applied TFRS 16 with a simplified retrospective approach. The new accounting policies of the Bank regarding to application TFRS 16 are stated below:

***Right-of-use assets***

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

The cost of right-of-use assets includes:

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

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

***Lease Liabilities***

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

At the commencement date of the lease, Lease payments included in the measurement of the lease liability consist of the following payments for the right to use the underlying asset during the lease term, which are not paid at the commencement date of the lease:

- a) Fixed payments,
- b) Variable lease payments that depend on an index or a rate,
- c) Amounts expected to be paid under residual value guarantees,
- d) The exercise price of a purchase option reasonably certain to be exercised by the Company / the Group and payments of penalties for terminating a lease and
- e) If the lease term reflects the Company / the Group exercising the option to terminate.

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on leasing transactions (continued)**

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

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

**XV. Explanations on provisions and contingent liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Bank discloses the issues mentioned in notes to financial statements.

*Explanations on contingent assets*

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVI. Explanations on liabilities regarding employee benefits**

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

A temporary article published in the Official Gazette No. 32121 dated March 3, 2023 was added to the Social Insurance and General Health Insurance Law dated 31/5/2006 and numbered 5510. In the provisional article in question, "Those who request for monthly bonding after the effective date shall be entitled to old-age or pension in accordance with the provisions of subparagraph (B) of the first paragraph of the provisional Article 81 of the Law No. 506, the second paragraph of the provisional Article 10 of the Law No. 1479, the subparagraph (B) of the first paragraph of the provisional Article 2 of the Law No. 2925 and the provisional Article 205 of the Law No. 5434, they shall benefit from old-age or pension if they meet other conditions other than age in the said provisions. No retrospective payment shall be made on the basis of this paragraph and no retrospective rights shall be claimed." In this context, the members of the pension fund have the opportunity to retire early as of April 1, 2023. This change has no significant impact on the Bank's financials and funds.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on November 1, 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 was 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 December 15, 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 May 8, 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 January, 1 2008.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

According to the provisional Article 20 of 73<sup>rd</sup> 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. With the amendment in the first paragraph of the temporary article 20 of the Social Security and General Health Insurance Law No. 5510 published in the Official Gazette dated March 8, 2012 and numbered 28227, the 2-year postponement authority given to the Council of Ministers was increased to 4 years. It has been resolved that the transfer process has been extended two years 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 Ministers Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer needs 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 realizing the transfer process.

In accordance with the Health and Safety Law numbered 6645 which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of December 31, 2022 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 24 January 2023. There is no need for technical or actual deficit to book provision as of December 31, 2022. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

**XVII. Explanations on taxation**

Income tax expense is the sum of current tax expense and deferred tax income or expense.

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit is calculated taking into account items of income or expense that are taxable or deductible, and items that are not taxable or deductible. Taxable profit therefore differs from the profit reported in the income statement.

With the Law submitted to the Grand National Assembly of Turkey on July 5, 2023 and published in the Official Gazette dated July 15, 2023, amendments were made to the Corporate Tax Law No. 5520. Accordingly; Starting from the declarations to be submitted as of October 1, 2023, the corporate tax rate has been increased from 25% to 30% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. In addition, with the amendment, as of July 15, 2023; The 50% tax exemption stipulated in Law No. 5520 for immovable sales gains has been abolished. However, this exemption will be applied as 25% to the sales of immovables that were in the assets of the enterprises before July 15, 2023.

In the financial statements dated September 30, 2023, 30% was used as the tax rate in the calculations of the period tax.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on taxation (continued)**

Within the framework of the duplicate provision of Article 298/A of the Tax Procedure Law, the conditions required for inflation adjustment in the calculation of corporate tax as of the end of the calendar year 2021 have been fulfilled. However, with the regulation made by the Law dated 20 January 2022 and numbered 7352, the application of inflation adjustment in the corporate tax calculation has been postponed to 2023. Accordingly; the financial statements of the TPL for the 2021 and 2022 accounting periods, including the interim tax periods, are not subject to inflation adjustment, while the 2023 accounting period is as follows; will not be subject to inflation adjustment as of the interim tax periods, and the financial statements of TPL dated 31 December 2023 will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have been met. The profit/loss difference resulting from the inflation adjustment in the financial statements of the TPL will be shown in the profit/loss accounts of the past years and will not affect the corporate tax base.

With the Communiqué on the Amendment of the General Communiqué on Tax Procedure Law No. 547 (sequence No. 537) published in the Official Gazette dated January 14, 2023 and numbered 32073, the procedures and principles of the articles of the law allowing revaluations of real estate and depreciable economic assets have been reorganized. The aforementioned amendment has been evaluated by the Bank. The Bank has been subjected to revaluation a portion of its depreciable assets that recognize the relevant criteria within the scope of the giving opportunities.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

Deferred tax is recognized for Stage 1 and Stage 2 expected loss provisions.

Except for goodwill or business combinations, deferred tax liability or asset is not calculated for temporary timing differences arising from the initial recognition of assets or liabilities and which do not affect both commercial and financial profit or loss. The carrying amount of deferred tax asset is reviewed as of each balance sheet date.

Carrying value of deferred tax asset is reduced to the extent that it is not probable that a taxable profit will be obtained to allow some or all of the deferred tax asset to be benefited. Deferred tax is calculated over the tax rates valid in the period when assets are created or liabilities are fulfilled and recorded as expense or income in the income statement. However, if the deferred tax is related to assets directly associated with equity in the same or a different period, it is directly associated with the equity account group. Deferred tax receivables and liability are netted off.

Pursuant to Article 53 of the Banking Law dated October 19, 2005 and numbered 5411, all of the special provisions set aside for loans and other receivables are taken into account as an expense in the determination of the corporate tax base in the year they are allocated pursuant to the second paragraph of the same article.

***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.



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVIII. Additional explanations on borrowings**

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

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

**XIX. Explanations on share certificates issued**

In accordance with the decision taken at the Ordinary General Assembly meeting held on March 28, 2023, 5% of the net profit for 2022 was allocated as a legal reserve, TL 145.288 was allocated to a special fund for the purpose of receiving venture capital investment funds, and the remaining portion was allocated as an extraordinary reserve fund.

In accordance with the decision taken at the Ordinary General Assembly meeting held on March 29, 2022 in the previous period, the Bank does not have a capital increase through bonus issues.

**XX. Explanations on acceptances**

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

**XXI. Explanations on government incentives**

The Bank does not use government incentives.

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**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XXII. Explanations on segment reporting**

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

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

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	3.899.681	2.601.448	-	6.501.129
Net Fees and Commission Income	115.438	167.730	4.136	287.304
Other Income	65.226	1.928.551	1.135.397	3.129.174
Other Expense	(1.512.605)	(122.988)	(1.487.637)	(3.123.230)
Profit Before Tax	2.567.740	4.574.741	(348.104)	6.794.377
Tax Provision				(1.766.102)
<b>Net Profit</b>				<b>5.028.275</b>
<b>Current Period</b>				
Segment Assets	109.203.093	45.839.804	3.412.169	158.455.066
Investment in Associates and Subsidiaries	-	-	5.531.235	5.531.235
<b>Total Assets</b>	<b>109.203.093</b>	<b>45.839.804</b>	<b>8.943.404</b>	<b>163.986.301</b>
Segment Liabilities	131.855.819	4.657.283	8.575.915	145.089.017
Shareholders' Equity	-	-	18.897.284	18.897.284
<b>Total Liabilities</b>	<b>131.855.819</b>	<b>4.657.283</b>	<b>27.473.199</b>	<b>163.986.301</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	1.967.800	2.697.504	-	4.665.304
Net Fees and Commission Income	36.623	81.069	1.780	119.472
Other Income	-	795.846	438.886	1.234.732
Other Expense	(1.925.188)	(103.264)	(576.507)	(2.604.959)
Profit Before Tax	79.235	3.471.155	(135.841)	3.414.549
Tax Provision				(770.525)
<b>Net Profit</b>				<b>2.644.024</b>
<b>Prior Period</b>				
Segment Assets	74.787.609	35.283.873	2.020.506	112.091.988
Investment in Associates and Subsidiaries	-	-	3.483.384	3.483.384
<b>Total Assets</b>	<b>74.787.609</b>	<b>35.283.873</b>	<b>5.503.890</b>	<b>115.575.372</b>
Segment Liabilities	93.477.043	3.656.787	5.659.535	102.793.365
Shareholders' Equity	-	-	12.782.007	12.782.007
<b>Total Liabilities</b>	<b>93.477.043</b>	<b>3.656.787</b>	<b>18.441.542</b>	<b>115.575.372</b>

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**SECTION FOUR****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT****I. Explanations related to shareholders' equity**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of September 30, 2023, the capital adequacy ratio of the Bank has been calculated as 23,31% (December 31, 2022: 22,43%).

In accordance with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks specified in the Board Decision dated 28.April 2022 and numbered 9996 and published in the Official Gazette dated 23 October 2015 and numbered 29511, in the calculation of the amount based on credit risk; the application for the use of the exchange rate of the Central Bank of the Republic of Turkey (Central Bank) for 31 December 2021 when calculating the amounts of monetary assets and non-monetary assets that are valued in accordance with Turkish Accounting Standards and related special reserve amounts other than items in foreign currency measured in terms of historical cost; Until a Board Decision to the contrary is taken, it is allowed to continue by using the Central Bank exchange rate for 30 December 2022.

In addition, with the Board Decision of the same date and numbered, in case the net valuation differences of the securities held by the banks in the portfolio of "Securities at Fair Value Reflected in Other Comprehensive Income" as of the date of the Decision are negative, these differences are negative, dated 05 September 2013 and numbered 28756. It has provided the opportunity not to be taken into account in the amount of equity to be calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette and to be used for the capital adequacy ratio.

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	8.012.499	3.971.749
Other comprehensive income according to TAS	3.598.781	2.364.913
Profit	5.028.275	4.055.034
Current Period Profit	5.028.275	4.055.034
Prior Period Profit	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>19.439.929</b>	<b>13.192.070</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	290.273	242.182
Leasehold improvements on operational leases	3.477	3.291
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	6.092	2.876
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****I. Explanations related to shareholders' equity (continued)**

Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	997.447	248.658
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	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	1.297.289	497.007
<b>Core Equity Tier I Capital</b>	18.142.640	12.695.063
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	5.461.500	3.721.300
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	5.461.500	3.721.300
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****I. Explanations related to shareholders' equity (continued)**

Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	<b>5.461.500</b>	<b>3.721.300</b>
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>23.604.140</b>	<b>16.416.363</b>
<b>TIER II CAPITAL</b>		
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)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.194.736	866.695
<b>Tier II Capital Before Deductions</b>	<b>1.194.736</b>	<b>866.695</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>1.194.736</b>	<b>866.695</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>24.798.876</b>	<b>17.283.058</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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**SECTION FOUR (Continued)**

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

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

<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	24.798.876	17.283.058
Total Risk Weighted Assets	106.379.848	77.065.121
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	17,06	16,47
Tier I Capital Adequacy Ratio (%)	22,19	21,30
Capital Adequacy Ratio (%)	23,31	22,43
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	2,511	2,512
a. Capital conservation buffer requirement (%)	2,500	2,500
b. Bank specific counter-cyclical buffer requirement (%)	0,011	0,012
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	12,55	11,97
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	1.914.008	1.294.373
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	4.767.825	3.407.717
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.194.736	866.695
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4</b>		
<b>(to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

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

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

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**SECTION FOUR (Continued)****INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT  
(Continued)****I. Explanations related to consolidated shareholders' equity (continued)****Information on debt instruments to be included in the equity calculation**

Issuer	Türkiye İş Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Official Gazette Date: 05.09.2013 Official Gazette Number: 28756)
<b>Consideration in Equity Calculation</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	The loan to be included in the additional Tier 1 capital calculation
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date – Million USD )	200
Par value of instrument (Million USD)	200
Accounting classification	347000 (Liability) – Subordinated Debt Instruments
Original date of issuance	30 March 2022
Perpetual or dated	Undated
Original starting and maturity date	31 March 2022
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early payment option for the first 5 years (after the 5th year) on 31 March 2027.
Subsequent call dates, if applicable	After the 5th year, the relevant option can be used. If it is not used after the 5th year, it can be used at any time by the borrower with the permission of the BRSA.
<b>Interest/dividend payments</b>	
Fixed or floating dividend/coupon	Fixed / semiannually coupon payment, principal payment at the maturity
Coupon rate and any related index	-
Existence of a dividend stopper	Yes.
Fully discretionary, partially discretionary or mandatory	Yes.(The Lender has the authority to cancel the interest payments under the Credit.)
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	None.
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 contribution capitals
In compliance with article number 7 and 8 of “Own fund regulation”	It has the conditions set forth in Article 7. It does not meet the conditions stated in Article 8.
Details of incompliances with article number 7 and 8 of “Own fund regulation”	It has the conditions set forth in Article 7. It does not meet the conditions stated in Article 8.

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**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to currency risk**

Due to the uncertainties and volatilities in the markets, no short or long positions are followed, so it is foreseen that there will be no exchange rate risk. However, the exchange rate risks that may occur are still calculated on a monthly basis in the exchange rate risk table within the scope of the standard method, and the results are reported to the official authorities and the Bank's senior management. Thus, exchange rate risk is closely monitored.

The position limit for currency risk is calculated in accordance with the terms of the "Regulation on the Calculation and Application of the Foreign Currency Net General Position/Equity Standard Ratio by Banks on a Consolidated and Unconsolidated Basis".

As part of the overall market risk, currency risk is also taken into account in the calculation of the Standard Ratio of Capital Adequacy.

No open positions are taken for foreign currency risks, and when any exchange rate risk arises from customer transactions, no exchange rate risk is carried by taking a counter position.

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

	<b>1 US Dollar</b>	<b>1 Euro</b>
<b>The Bank's "Foreign Exchange Valuation Rate"</b>		
September 30, 2023	27,3075	28,8804
<b>Prior Five Workdays:</b>		
September 29, 2023	27,3075	28,8804
September 28, 2023	27,2185	28,5822
September 27, 2023	27,1486	28,6743
September 26, 2023	27,0815	28,6604
September 25, 2023	27,0520	28,7914

Simple arithmetic one month averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 26,8477 and 28,6953 respectively.



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

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

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

Current Period	Euro	US Dollar	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	964.923	2.103.330	-	3.068.253
Banks (8)	488.244	1.860.589	9.017	2.357.850
Financial Assets at Fair Value Through Profit or Loss (1)	374.763	977.723	4.070	1.356.556
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.847.454	4.814.260	-	6.661.714
Loans (2)	42.220.022	61.189.053	-	103.409.075
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost (3)	749.244	8.870.843	-	9.620.087
Derivative Financial Assets for Hedging Purposes (4)	-	68.774	-	68.774
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (5)	133.071	238.366	-	371.437
<b>Total Assets</b>	<b>46.777.721</b>	<b>80.122.938</b>	<b>13.087</b>	<b>126.913.746</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	449.287	1.873.455	-	2.322.742
Funds Provided From Other Financial Institutions	32.238.215	72.903.170	-	105.141.385
Marketable Securities Issued	-	28.897.328	-	28.897.328
Miscellaneous Payables	633.117	1.484.688	47	2.117.852
Derivative Financial Liabilities for Hedging Purposes (4)	-	191.118	-	191.118
Other Liabilities (6)	543.749	1.574.480	4.805	2.123.034
<b>Total Liabilities</b>	<b>33.864.368</b>	<b>106.924.239</b>	<b>4.852</b>	<b>140.793.459</b>
<b>Net Balance Sheet Position</b>	<b>12.913.353</b>	<b>(26.801.301)</b>	<b>8.235</b>	<b>(13.879.713)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(11.482.951)</b>	<b>27.511.293</b>	<b>1.385</b>	<b>16.029.727</b>
Financial Derivative Assets	3.802.814	33.250.468	1.013.915	38.067.197
Financial Derivative Liabilities	(15.285.765)	(5.739.175)	(1.012.530)	(22.037.470)
Non-Cash Loans (7)	5.599.121	6.871.464	-	12.470.585
<b>Prior Period</b>				
Total Assets	32.034.478	59.701.475	8.200	91.744.153
Total Liabilities	24.551.503	75.812.386	2.335	100.366.224
<b>Net Balance Sheet Position</b>	<b>7.482.975</b>	<b>(16.110.911)</b>	<b>5.865</b>	<b>(8.622.071)</b>
<b>Net Off –Balance Sheet Position</b>	<b>(6.036.513)</b>	<b>17.593.190</b>	<b>197</b>	<b>11.556.874</b>
Financial Derivative Assets	2.987.322	20.472.875	131.455	23.591.652
Financial Derivative Liabilities	(9.023.835)	(2.879.685)	(131.258)	(12.034.778)
Non-Cash Loans (7)	3.145.030	2.672.285	-	5.817.315

(1) The exchange rate difference rediscout of derivative financial transactions amounting to TL 196,470 has been deducted from the "Financial Assets Reflected in Fair Value Difference Profit or Loss".

(2) The loans granted include TL 1,472,188 of FX-indexed loans, TL 411,147 of Financial Lease Receivables, TL 860 of Frozen Receivables and TL 860 of Default (Third Stage/Special Provision), (TL 4,488,181) of the 1st and 2nd stages (including foreign currency-indexed loans) expected loss provision amounts.

(3) (16,481) TL 1st stage includes the expected loss provision amount.

(4) Hedging Derivative Financial Assets are defined in the "Derivative Financial Assets" line in the financial statement; Hedging Derivative Financial Liabilities are included in the financial statement under the "Derivative Financial Liabilities" line. The exchange rate difference rediscout amounting to TL 480,358 was deducted from the "Derivative Financial Assets for Hedging Purposes".

(5) It does not include prepaid expenses amounting to TL 11,969 and foreign exchange purchase commitment discounts amounting to TL 318. (1) TL 1st stage includes the amount of the expected loss provision.

(6) Derivative financial transactions exchange rate difference rediscouts amounting to TL 160,116 and foreign exchange sales commitment rediscouts amounting to TL 203 are not included in the "Other Liabilities" line.

(7) It has no effect on the net off-balance sheet position.

(8) Stage 1 expected loss provision amounting to TL (646) is included.

**SECTION FOUR (Continued)**

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

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

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

Forecast results, which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period is 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 are very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

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

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

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**SECTION FOUR (Continued)**

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total (2)
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	-	-	-	-	-	3.072.992	3.072.992
Banks (2)	1.341.010	-	-	-	-	1.018.176	2.359.186
Financial Assets at Fair Value Through Profit and Loss (3)	1.073.853	802.031	281.135	565.728	32.662	-	2.755.409
Money Market Placements (2)	11.889.022	543.932	44.240	-	-	-	12.477.194
Financial Assets at Fair Value Through Other Comprehensive Income (2)	1.179.252	1.361.172	1.136.663	2.992.689	1.605.825	900.263	9.175.864
Loans (2)	39.616.280	27.857.733	24.953.916	16.032.803	5.369.750	-	113.830.482
Financial Assets Measured at Amortized Cost (2)	7.476.329	221.993	2.050	6.198.373	3.438.194	-	17.336.939
Other Assets (2)	-	-	-	-	-	2.978.235	2.978.235
<b>Total Assets</b>	<b>62.575.746</b>	<b>30.786.861</b>	<b>26.418.004</b>	<b>25.789.593</b>	<b>10.446.431</b>	<b>7.969.666</b>	<b>163.986.301</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.443.362	-	-	-	-	-	2.443.362
Miscellaneous Payables	-	-	-	-	-	2.137.446	2.137.446
Marketable Securities Issued	-	-	305.014	20.442.004	8.150.310	-	28.897.328
Funds Provided from Other Financial Institutions (4)	53.304.005	17.205.547	19.697.619	13.142.888	1.822.353	-	105.172.412
Other Liabilities	813.531	317.089	311.967	162.779	-	23.730.387	25.335.753
<b>Total Liabilities</b>	<b>56.560.898</b>	<b>17.522.636</b>	<b>20.314.600</b>	<b>33.747.671</b>	<b>9.972.663</b>	<b>25.867.833</b>	<b>163.986.301</b>
<b>Balance Sheet Long Position</b>	<b>6.014.848</b>	<b>13.264.225</b>	<b>6.103.404</b>	<b>-</b>	<b>473.768</b>	<b>-</b>	<b>25.856.245</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.958.078)</b>	<b>-</b>	<b>(17.898.167)</b>	<b>(25.856.245)</b>
Off-Balance Sheet Long Position	-	635.366	-	377.329	8.578.488	-	9.591.183
Off-Balance Sheet Short Position	(4.415.369)	-	(4.541.400)	-	-	-	(8.956.769)
<b>Total Position</b>	<b>1.599.479</b>	<b>13.899.591</b>	<b>1.562.004</b>	<b>(7.580.749)</b>	<b>9.052.256</b>	<b>(17.898.167)</b>	<b>634.414</b>

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

(2) Expected credit losses for stage 1 and stage 2 are 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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**SECTION FOUR (Continued)**

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total (2)
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	-	-	-	-	-	2.797.939	2.797.939
Banks (2)	474.614	-	-	-	-	897.148	1.371.762
Financial Assets at Fair Value Through Profit and Loss (3)	1.209.374	192.682	531.870	421.501	40.169	-	2.395.596
Money Market Placements (2)	4.723.157	534.426	460.888	-	-	-	5.718.471
Financial Assets at Fair Value Through Other Comprehensive Income (2)	807.026	2.960.102	1.859.992	3.236.902	1.243.621	946.129	11.053.772
Loans (2)	20.047.765	13.235.609	27.064.586	13.583.455	4.202.569	-	78.133.984
Financial Assets Measured at Amortized Cost (2)	6.195.613	-	-	4.288.990	2.341.378	-	12.825.981
Other Assets (2)	-	-	-	-	-	1.277.867	1.277.867
<b>Total Assets</b>	<b>33.457.549</b>	<b>16.922.819</b>	<b>29.917.336</b>	<b>21.530.848</b>	<b>7.827.737</b>	<b>5.919.083</b>	<b>115.575.372</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.442.591	275	-	-	-	-	1.442.866
Miscellaneous Payables	-	-	-	-	-	1.900.376	1.900.376
Marketable Securities Issued	7.130.287	-	-	13.917.465	-	-	21.047.752
Funds Provided from Other Financial Institutions (4)	26.330.965	12.552.032	24.037.279	9.855.058	1.867.878	-	74.643.212
Other Liabilities	523.544	267.842	300.243	6.015	36.944	15.406.578	16.541.166
<b>Total Liabilities</b>	<b>35.427.387</b>	<b>12.820.149</b>	<b>24.337.522</b>	<b>23.778.538</b>	<b>1.904.822</b>	<b>17.306.954</b>	<b>115.575.372</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>4.102.670</b>	<b>5.579.814</b>	<b>-</b>	<b>5.922.915</b>	<b>-</b>	<b>15.605.399</b>
<b>Balance Sheet Short Position</b>	<b>(1.969.838)</b>	<b>-</b>	<b>-</b>	<b>(2.247.690)</b>	<b>-</b>	<b>(11.387.871)</b>	<b>(15.605.399)</b>
Off-Balance Sheet Long Position	575.485	-	1.164.374	211.682	441.510	-	2.393.051
Off-Balance Sheet Short Position	-	(1.249.105)	-	-	-	-	(1.249.105)
<b>Total Position</b>	<b>(1.394.353)</b>	<b>2.853.565</b>	<b>6.744.188</b>	<b>(2.036.008)</b>	<b>6.364.425</b>	<b>(11.387.871)</b>	<b>1.143.946</b>

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

(2) Expected credit losses for stage 1 and stage 2 are 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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

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

	Euro	US Dollar	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	2,30	5,18	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	33,57
Financial Assets at Fair Value Through Other Comprehensive Income	4,57	6,42	-	23,92
Loans	8,32	9,63	-	27,69
Financial Assets Measured at Amortized Cost	5,84	8,22	-	30,38
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,30	3,89	-	24,97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	6,92	-	-
Borrower Funds	0,25	0,50	-	25,00
Funds Provided From Other Financial Institutions (1)	4,29	4,77	-	31,60

(1) Includes additional subordinated loans classified under subordinated loans in the balance sheet.

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

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

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

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Prior Period</b>				
<b>Assets</b>				-
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	4,03	-	9,60
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	15,51
Financial Assets at Fair Value Through Other Comprehensive Income	4,57	5,20	-	19,63
Loans	6,59	8,31	-	18,19
Financial Assets Measured at Amortized Cost	5,84	8,13	-	31,93
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,50	2,87	-	7,50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,80	-	-
Borrower Funds	1,50	2,50	-	7,50
Funds Provided From Other Financial Institutions (1)	2,46	5,24	-	-

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

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**SECTION FOUR (Continued)**

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

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

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

**Equity shares risk due from banking book**

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

<b>Current Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>2.185.605</b>	-	<b>3.097.918</b>
Quoted	2.185.605	-	3.097.918
<b>Investment in Shares-Grade B</b>	<b>2.126.722</b>	-	<b>3.436.782</b>
Quoted	2.126.722	-	3.436.782

  

<b>Prior Period</b>	<b>Comparison</b>		
<b>Share Certificate Investments</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>Investment in Shares-Grade A</b>	<b>1.228.706</b>	-	<b>1.917.257</b>
Quoted	1.228.706	-	1.917.257
<b>Investment in Shares-Grade B</b>	<b>1.605.723</b>	-	<b>2.695.172</b>
Quoted	1.605.723	-	2.695.172

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

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

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

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

Current Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital (1)	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	1.763.367	1.763.367	-	-	-
Other Share Certificates	-	835.912	835.912	-	-	-
<b>Total</b>	-	<b>2.599.279</b>	<b>2.599.279</b>	-	-	-

Prior Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital (1)	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	943.303	943.303	-	-	-
Other Share Certificates	-	424.969	424.969	-	-	-
<b>Total</b>	-	<b>1.368.272</b>	<b>1.368.272</b>	-	-	-

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



**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

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

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

There is a Contingency Funding Plan for the contingent periods that arises beyond the Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cash flow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cash flow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Bank are monitored consistently. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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

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

**2. Liquidity Coverage Ratio**

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

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
<b>Lowest</b>	212,55	227,36	208,11	237,13
<b>Related Week</b>	14/07/2023	07/07/2023	23/12/2022	23/12/2022
<b>Highest</b>	745,72	599,24	564,23	387,99
<b>Related Week</b>	18/08/2023	04/08/2023	09/12/2022	09/12/2022

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 High quality liquid assets	-	-	15.954.994	9.817.714
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business, Customers Deposits	6.790.324	5.878.115	5.666.075	4.808.887
6 Operational deposits	703.721	635.452	175.930	158.863
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	6.086.603	5.242.663	5.490.145	4.650.024
9 Secured funding	-	-	-	-
10 Other Cash Outflows	655.531	1.452.690	655.531	1.452.690
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	420.160	1.217.319	420.160	1.217.319
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	235.371	235.371	235.371	235.371
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	33.852.143	28.960.626	3.687.080	2.816.220
16 <b>TOTAL CASH OUTFLOWS</b>	-	-	<b>10.008.686</b>	<b>9.077.797</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	6.568.184	4.470.299	5.188.187	3.291.661
19 Other contractual cash inflows	547.361	2.403.770	547.361	2.403.770
20 <b>TOTAL CASH INFLOWS</b>	<b>7.115.545</b>	<b>6.874.069</b>	<b>5.735.548</b>	<b>5.695.431</b>
			<b>Upper Limit Applied Amounts</b>	
21 <b>TOTAL HQLA STOCK</b>	-	-	<b>15.954.994</b>	<b>9.817.714</b>
22 <b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>2.502.172</b>	<b>2.269.449</b>
23 <b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>638</b>	<b>433</b>

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

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

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

		Rate of “Percentage to be taken into account” not Implemented Total value		Rate of “Percentage to be taken into account” Implemented Total value	
Prior Period		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets	-	-	13.726.420	8.164.963
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	6.198.064	5.645.198	5.061.428	4.531.762
6	Operational deposits	638.515	611.547	159.629	152.887
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	5.559.549	5.033.651	4.901.799	4.378.875
9	Secured funding			-	-
10	Other Cash Outflows	613.649	927.130	613.649	927.130
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	361.188	674.669	361.188	674.669
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	252.461	252.461	252.461	252.461
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	64.623.585	59.821.446	3.231.179	2.991.072
15	Other irrevocable or conditionally revocable commitments	20.078.183	17.247.580	2.223.224	1.693.540
16	TOTAL CASH OUTFLOWS	-	-	11.129.480	10.143.504
CASH INFLOWS					
17	Secured Lending Transactions	330	-	-	-
18	Unsecured Lending Transactions	8.641.162	4.750.567	6.806.034	3.205.258
19	Other contractual cash inflows	216.487	8.861.569	216.487	8.861.569
20	TOTAL CASH INFLOWS	8.857.979	13.612.136	7.022.521	12.066.827
				Upper Limit Applied Amounts	
21	TOTAL HQLA STOCK			13.726.420	8.164.963
22	TOTAL NET CASH OUTFLOWS			4.106.959	2.535.876
23	LIQUIDITY COVERAGE RATIO (%)			334	322

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

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

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

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

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 69%. The total ratio of the securities issued in purpose of funding diversification and loans attained through subordinated loans and syndication loans in overall borrowing is 29%. 2% of the Bank's total funding is provided from the repo money markets.

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	3.072.992	-	-	-	-	-	3.072.992
Banks	1.018.176	1.341.010	-	-	-	-	-	2.359.186
Financial Assets at Fair Value Through Profit and Loss (3)	-	892.478	847.021	1.015.910	-	-	-	2.755.409
Money Market Placements	-	11.889.022	543.932	44.240	-	-	-	12.477.194
Financial Assets at Fair Value Through Other Comprehensive	-	264.235	1.550.904	1.136.663	3.697.359	1.626.440	900.263	9.175.864
Loans	-	6.763.631	7.607.715	24.191.859	55.961.819	19.305.458	-	113.830.482
Financial Assets Measured at Amortized Cost	-	-	224.810	1.237.471	8.663.245	7.211.413	-	17.336.939
Other Assets (2)	-	-	-	-	-	-	2.978.235	2.978.235
<b>Total Assets</b>	<b>1.018.176</b>	<b>24.223.368</b>	<b>10.774.382</b>	<b>27.626.143</b>	<b>68.322.423</b>	<b>28.143.311</b>	<b>3.878.498</b>	<b>163.986.301</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions(4)	-	2.078.727	3.504.477	15.284.862	44.119.461	40.184.885	-	105.172.412
Money Market Borrowings	-	2.443.362	-	-	-	-	-	2.443.362
Marketable Securities Issued	-	-	-	305.014	20.442.004	8.150.310	-	28.897.328
Miscellaneous Payables	-	-	-	-	-	-	2.137.446	2.137.446
Other Liabilities	-	496.016	346.193	691.966	112.736	-	23.688.842	25.335.753
<b>Total Liabilities</b>	<b>-</b>	<b>5.018.105</b>	<b>3.850.670</b>	<b>16.281.842</b>	<b>64.674.201</b>	<b>48.335.195</b>	<b>25.826.288</b>	<b>163.986.301</b>
<b>Liquidity Gap</b>	<b>1.018.176</b>	<b>19.205.263</b>	<b>6.923.712</b>	<b>11.344.301</b>	<b>3.648.222</b>	<b>(20.191.884)</b>	<b>(21.947.790)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>40.929</b>	<b>(337.687)</b>	<b>38.490</b>	<b>844.801</b>	<b>47.881</b>	<b>-</b>	<b>634.414</b>
Financial Derivative Assets	-	7.952.428	17.425.763	4.813.912	29.959.077	13.944.923	-	74.096.103
Financial Derivative Liabilities	-	7.911.499	17.763.450	4.775.422	29.114.276	13.897.042	-	73.461.689
Non-cash Loans	-	900.552	1.974.362	5.617.605	3.366.919	2.837.945	740.400	15.437.783
<b>Prior Period</b>								
Total Assets	897.148	14.429.357	8.725.368	19.495.697	48.513.429	21.290.377	2.223.996	115.575.372
Total Liabilities	-	9.723.283	3.878.838	9.822.014	47.547.829	27.296.454	17.306.954	115.575.372
<b>Liquidity Gap</b>	<b>897.148</b>	<b>4.706.074</b>	<b>4.846.530</b>	<b>9.673.683</b>	<b>965.600</b>	<b>(6.006.077)</b>	<b>(15.082.958)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>550.567</b>	<b>23.327</b>	<b>62.989</b>	<b>516.622</b>	<b>(9.559)</b>	<b>-</b>	<b>1.143.946</b>
Financial Derivative Assets	-	18.625.537	2.301.232	5.583.244	20.603.676	5.130.341	-	52.244.030
Financial Derivative Liabilities	-	18.074.970	2.277.905	5.520.255	20.087.054	5.139.900	-	51.100.084
Non-cash Loans	-	460.039	565.371	3.245.059	597.699	2.002.385	435.058	7.305.611

(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) Includes derivative financial assets and Financial Assets at Fair Value Through Profit and Losses.

(4) It also includes additional principal subordinated loans classified under subordinated loans on the balance sheet

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**SECTION FOUR (Continued)**

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

**VI. Explanations related to leverage ratio**

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

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

As of the Bank’s balance sheet date, the leverage ratio, calculated on the basis of the arithmetic average of the values found at the end of the month in the past three months, was 12,76% (December 31, 2022: 12,21%). The amount of assets on the balance sheet increased by 41,54% compared to the previous period.

**b) Leverage Ratio**

		<b>Current Period (1)</b>	<b>Prior Period (1)</b>
	<b>Balance sheet Assets</b>		
<b>1</b>	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	157.233.370	111.087.792
<b>2</b>	(Assets deducted from Core Capital)	(1.095.737)	(356.929)
<b>3</b>	<b>Total risk amount of balance sheet assets (sum of lines 1 and 2)</b>	<b>156.137.633</b>	<b>110.730.863</b>
	<b>Derivative financial assets and credit derivatives</b>		
<b>4</b>	Cost of replenishment for derivative financial assets and credit derivatives	1.209.568	782.152
<b>5</b>	Potential credit risk amount of derivative financial assets and credit derivatives	453.323	303.022
<b>6</b>	<b>Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)</b>	<b>1.662.891</b>	<b>1.085.174</b>
	<b>Financing transactions secured by marketable security or commodity</b>		
<b>7</b>	Risk amount of financing transactions secured by marketable security or commodity	1.301.011	1.611.782
<b>8</b>	Risk amount arising from intermediary transactions	-	-
<b>9</b>	<b>Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)</b>	<b>1.301.011</b>	<b>1.611.782</b>
	<b>Off-balance sheet transactions</b>		
<b>10</b>	Gross notional amount of off-balance sheet transactions	31.044.180	20.297.598
<b>11</b>	(Correction amount due to multiplication with credit conversion rates)	(11.991.816)	(9.087.387)
<b>12</b>	<b>Total risk of off-balance sheet transactions (sum of lines 10 and 11)</b>	<b>19.052.364</b>	<b>11.210.211</b>
	<b>Capital and total risk</b>		
<b>13</b>	Core Capital	22.726.176	15.216.183
<b>14</b>	Total risk amount (sum of lines 3, 6, 9 and 12)	178.153.899	124.638.030
	<b>Leverage ratio</b>		
<b>15</b>	<b>Leverage ratio</b>	<b>%12,76</b>	<b>%12,21</b>

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

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**SECTION FOUR (Continued)**

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

**VII. Explanations related to risk management**

**Linkages between financial statements and risk amounts**

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

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

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

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

The risk management process, which is shaped within the scope of relevant policies and application principles and serves to create a common risk culture throughout the organization; It has a structure where risks are defined in accordance with international regulations and measurement, analysis, monitoring and reporting activities are carried out within this framework. A Risk Management Department has been established within the Bank in order to ensure compliance with the relevant policy, application principles and processes and to manage the risks faced by the Bank in line with these policies. The Risk Management Department, whose duties and responsibilities have been determined by regulations approved by the Board of Directors, carries out its activities independently from executive activities and executive units and under the Audit Committee.

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

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

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market, interest and liquidity 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.

As of June 2022, in determining the risk weights in the period the bank's capital adequacy calculations, the rating given by international rating agencies Fitch Ratings, in addition to the use of "Receivables From Banks and Intermediary Institutions" resident domestic receivables with banks and brokerage firms corporate risk within the class is contained in the risk of receivables from companies and financial institutions resident in the country in JCR Avrasya A.Ş. rating determining the weights in TL the national rating grades assigned by have started to be used.



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**SECTION FOUR (Continued)**

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

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

**Overview of risk weighted assets**

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	89.456.118	64.297.768	7.156.489
2	Standardised approach	89.456.118	64.297.768	7.156.489
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.337.728	1.801.888	107.018
5	Standardised approach for counterparty credit risk	1.337.728	1.801.888	107.018
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	2.515.050	3.302.888	201.204
17	Standardised approach	2.515.050	3.302.888	201.204
18	Internal model approaches	-	-	-
19	Operational risk	8.285.932	4.426.644	662.875
20	Basic indicator approach	8.285.932	4.426.644	662.875
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	4.785.020	3.235.933	382.802
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>106.379.848</b>	<b>77.065.121</b>	<b>8.510.388</b>

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	-	-	-	-
Balances with the Central Bank of Turkey	4.739	3.068.253	18.958	2.778.981
Other	-	-	-	-
<b>Total</b>	<b>4.739</b>	<b>3.068.253</b>	<b>18.958</b>	<b>2.778.981</b>

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

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	4.739	32.529	18.958	22.323
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	3.035.724	-	2.756.658
<b>Total</b>	<b>4.739</b>	<b>3.068.253</b>	<b>18.958</b>	<b>2.778.981</b>

(1) Expected credit loss amounting to TL 545 is allocated in "Balances with the Central Bank of Turkey" (December 31, 2022: TL 372).

(2) Includes the amount of required reserves blocked at the CBRT for Turkish lira assets and foreign currency liabilities.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

Pursuant to the CBRT's Communiqué on the Amendment of the Communiqué on Compulsory Reserves dated 23 April 2022 and numbered 31818 (No: 2013/15) (No: 2022/17); It was announced that commercial cash loans in Turkish lira, excluding the loan types of banks and financing companies specified in the communiqué, will be subject to reserve requirements, with the Communiqué Amending the Communiqué on Required Reserves (No: 2013/15) dated 20 August 2022 and numbered 31929 (No: 2022/24) published after, it was announced that the required reserve ratio for the assets subject to required reserves would be 0 percent for banks.

Pursuant to Communiqué Amending the CBRT's Communiqué dated 20 August 2022 and numbered 31929 on the Establishment of Turkish Lira Securities for Foreign Currency Liabilities (No: 2022/20) (No: 2022/23), It was announced that securities should be established for commercial cash loans in Turkish lira, excluding the loan types specified in the communiqué, of banks and financing companies.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

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

**1.b Information related to the account of the Central Bank of Turkey (continued)**

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 September 2023 are presented in table below:

<b>Reserve Rates for Turkish Lira Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower funds	0
Until 1 year maturity (1 year included)	8
Until 3 year maturity (3 year included)	5,5
More than 3 year maturity	3
Securities issued by development and investment banks with a maturity of more than 1 year	0
<b>Reserve Rates for Foreign Currency Liabilities (%)</b>	
<b>Original Maturity</b>	<b>Reserve Ratio</b>
Borrower funds	25
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

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

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

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (December 31, 2022: None).

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

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (December 31, 2022: None).

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**SECTION FIVE (Continued)**

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

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

**2. Information on financial assets at fair value through profit and loss (continued)**

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

Financial Derivative Assets (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	38.613	1.199	90.994	870
Swap Transactions	614.638	1.551.363	869.636	1.046.170
Futures Transactions	-	-	-	-
Options	-	464	-	-
Other	-	-	-	-
<b>Total</b>	<b>653.251</b>	<b>1.553.026</b>	<b>960.630</b>	<b>1.047.040</b>

(1) Derivative Financial Assets for Hedging Purposes amounting to TL 549.132 are shown in the "Derivative Financial Assets" account (December 31, 2022: TL 387.926).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. As of September 30, 2023, the market rediscount value of these swap tradings with a nominal amount of \$ 25 million is TL 329.061 and a redemption date of is 2027 (December 31, 2022: The market rediscount value of swaps with a nominal amount of \$ 70 million is TL 720.082).

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

As of September 30, 2023, there are no loans at fair value that are reflected in profit and loss.

Prior period, As of March 31, 2022, LYY Telekomünikasyon A.Ş. owned by Türk Telekomünikasyon A.Ş. 192.500.000.000 Group A registered shares representing 55% of the capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Bank's share was closed. Provision has been made for the entire loan amount remaining after collection. It has been classified as non-performing loans as of June 30, 2022 and has been written off from the asset in accounting terms with the specific provision amount set under TFRS 9 since there is no reasonable expectation regarding its recovery.

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**SECTION FIVE (Continued)**

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

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

**3. Information on banks and foreign banks account**

**3.a Information on banks:**

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	690	1.318.303	20.454	158.015
Foreign	-	1.040.193	-	1.193.293
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>690</b>	<b>2.358.496</b>	<b>20.454</b>	<b>1.351.308</b>

(1) Expected credit loss amounting to TL 103 is allocated in "Banks" (December 31, 2022: TL 206).

**3.b Information on foreign banks**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	486.920	-	3.331
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>486.920</b>	<b>-</b>	<b>3.331</b>

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

As of September 30, 2023, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 3.937.486.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	2.141.496	1.795.990	2.357.394	3.974.419
Other	-	-	-	-
<b>Total</b>	<b>2.141.496</b>	<b>1.795.990</b>	<b>2.357.394</b>	<b>3.974.419</b>

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. Explanations and disclosures related to the assets (continued)****4. Information on financial assets at fair value through other comprehensive income (continued)****4.b Major types of financial assets at fair value through other comprehensive income:**

Financial assets at fair value through other comprehensive income comprised of government bonds 23,35%, Eurobonds 65,68%, 10,97% and shares and other securities (December 31, 2022: 25,75% government bonds, 62,45% Eurobond, 11,80% shares and other securities).

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

	Current Period	Prior Period
Debt securities	8.527.826	10.287.760
Quoted on a stock exchange	2.330.632	3.219.321
Unquoted	6.197.194	7.068.439
Share certificates	770.820	483.277
Quoted on a stock exchange	107.569	48.228
Unquoted	663.251	435.049
Impairment provision(-)	257.119	185.011
Other	134.337	467.746
<b>Total</b>	<b>9.175.864</b>	<b>11.053.772</b>

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 658.357 (December 31, 2022: TL 430.155).

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	631.531	-	681.627	-
Corporate shareholders	631.531	-	681.627	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	11.207	-	5.921	-
<b>Total</b>	<b>642.738</b>	<b>-</b>	<b>687.548</b>	<b>-</b>

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**SECTION FIVE (Continued)**

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

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

**5. Explanation on loans (continued)**

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

Current Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	100.556.580	5.821.090	6.905.871	-
Working Capital loans	13.743.199	1.224.173	2.905.284	-
Export loans	3.610.813	199.544	-	-
Import loans	-	-	-	-
Loans given to financial sector	9.963.725	-	-	-
Consumer loans	11.207	-	-	-
Credit cards	-	-	-	-
Other	73.227.636	4.397.373	4.000.587	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>100.556.580</b>	<b>5.821.090</b>	<b>6.905.871</b>	<b>-</b>

(1)According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 1.189.169 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

Prior Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	67.933.705	3.091.489	6.541.645	-
Working Capital loans	9.832.172	98.457	2.240.190	-
Export loans	2.602.907	68.592	-	-
Import loans	-	-	-	-
Loans given to financial sector	8.298.408	-	-	-
Consumer loans	5.921	-	-	-
Credit cards	-	-	-	-
Other	47.194.297	2.924.440	4.301.455	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>67.933.705</b>	<b>3.091.489</b>	<b>6.541.645</b>	<b>-</b>

(1)According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 648.919 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

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**SECTION FIVE (Continued)**

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

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

**5. Explanation on loans (continued)**

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

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	976.213	-	694.727	-
Significant Increase in Credit Risk	-	3.651.176	-	2.651.648

**5.c Loans according to their maturity structure:**

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



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**SECTION FIVE (Continued)**

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

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

**5. Explanation on loans (continued)**

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

<b>Current Period</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	649	10.558	11.207
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	649	10.558	11.207
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>649</b>	<b>10.558</b>	<b>11.207</b>

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

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

**5. Explanation on loans (continued)**

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

<b>Prior Period</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	404	5.517	5.921
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	404	5.517	5.921
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>404</b>	<b>5.517</b>	<b>5.921</b>

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

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

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

**5. Explanation on loans (continued)**

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

The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (December 31, 2022: 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	112.872.033	77.279.553
Foreign loans	411.508	287.286
<b>Total</b>	<b>113.283.541</b>	<b>77.566.839</b>

**5.h Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.767.006	1.496.337
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.767.006</b>	<b>1.496.337</b>

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

	Current Period	Prior Period
Loans and receivables with limited collectability	250.698	232.742
Loans and receivables with doubtful collectability	1.485.596	1.557.486
Uncollectible loans and receivables	262.362	349.799
<b>Total</b>	<b>1.998.656</b>	<b>2.140.027</b>

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

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
Gross amounts before provisions	274.733	1.542.502	180.855
Rescheduled loans	274.733	1.542.502	180.855
<b>Prior Period</b>			
Gross amounts before provisions	282.601	1.646.924	212.455
Rescheduled loans	282.601	1.646.924	212.455

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

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

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

**5. Explanation on loans (continued)**

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
<b>Prior period end balance</b>	<b>283.191</b>	<b>1.661.963</b>	<b>381.787</b>
Additions (+)	8.212	-	73
Transfers from other categories of non-performing loans (+)	-	-	15.038
Transfers to other categories of non-performing loans (-)	-	15.038	-
Collections (-)	16.080	104.423	32.553
Write-offs (-) (1)	-	-	84.611
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	274	-	-
<b>Current period end balance</b>	<b>275.597</b>	<b>1.542.502</b>	<b>279.734</b>
Provision (-)	250.698	1.485.596	262.362
<b>Net Balances on Balance Sheet</b>	<b>24.899</b>	<b>56.906</b>	<b>17.372</b>

(1) As of September 30, 2023, the effect of the Bank's NPL ratio is calculated as 7 basis points when the calculation is made by taking into account the loans written off.

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Prior Period</b>			
<b>Prior period end balance</b>	<b>335.382</b>	<b>1.264.859</b>	<b>476.433</b>
Additions (+)	21.338	2.046	559.469
Transfers from other categories of non-performing loans (+)	-	15.038	22
Transfers to other categories of non-performing loans (-)	15.038	22	-
Collections (-)	58.665	313	131.660
Write-offs (-) (1)	-	-	557.916
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	174	380.355	35.439
<b>Current period end balance</b>	<b>283.191</b>	<b>1.661.963</b>	<b>381.787</b>
Provision (-)	232.742	1.557.486	349.799
<b>Net Balances on Balance Sheet</b>	<b>50.449</b>	<b>104.477</b>	<b>31.988</b>

(1) As of March 31, 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192.500.000.000 Group A shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sale amount, a collection was made from the related loan at the rate of the Bank's share. However, a provision for impairment has been made for the entire acquired asset. As of June 30, 2022, the risk related to LYY Telekomünikasyon A.Ş., which has been fully provisioned, has been transferred to the follow-up accounts, and the amount transferred to the follow-up accounts and its specific provisions have been written off from the asset in accounting terms (555.395 Thousand TL). As of December 31, 2022, the effect of the Bank's NPL ratio is calculated as 67 basis points when the calculation is made by taking into account the loans written off.

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**SECTION FIVE (Continued)**

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

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

**5. Explanation on loans (continued)**

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period</b>			
Period End Balance	860	-	-
Provision (-)	860	-	-
<b>Net Balance on Balance Sheet</b>	-	-	-
<b>Prior Period</b>			
Period End Balance	586	-	27.594
Provision (-)	586	-	27.594
<b>Net Balance on Balance Sheet</b>	-	-	-

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	275.597	1.542.502	279.734
Provision Amount (-)	250.698	1.485.596	262.362
Loans to Real Persons and Legal Entities (Net)	24.899	56.906	17.372
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	283.191	1.661.963	381.787
Provision Amount (-)	232.742	1.557.486	349.799
Loans to Real Persons and Legal Entities (Net)	50.449	104.477	31.988
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

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**SECTION FIVE (Continued)**

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

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

**5. Explanation on loans (continued)**

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

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

	<b>III.Group</b>	<b>IV.Group</b>	<b>V.Group</b>
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>	-	-	-
Interest Accruals and Rediscount with Valuation Differences	274	-	-
Provision amount (-)	274	-	-
<b>Prior Period (Net)</b>	-	<b>23.634</b>	<b>18</b>
Interest Accruals and Rediscount with Valuation Differences	174	380.355	35.439
Provision amount (-)	174	356.721	35.421

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

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

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

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

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

**6. Information on financial assets measured at amortized cost**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	2.855.756	3.356.398	2.264.088	820.706
Subject to Repurchase Agreements	91.828	2.983.003	116.980	2.059.762
<b>Total</b>	<b>2.947.584</b>	<b>6.339.401</b>	<b>2.381.068</b>	<b>2.880.468</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Government Bonds	17.336.939	12.825.981
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>17.336.939</b>	<b>12.825.981</b>

**6.c Information on financial investments measured at amortized cost:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>		
Quoted on a Stock Exchange	7.700.371	6.195.613
Not Quoted	9.636.568	6.630.368
Impairment provision (-)	-	-
<b>Total</b>	<b>17.336.939</b>	<b>12.825.981</b>

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**SECTION FIVE (Continued)**

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

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

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

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>12.825.981</b>	<b>3.955.703</b>
Foreign Currency Differences on Monetary Assets	3.097.037	983.655
Purchases During The Period	397.215	6.636.025
Disposals Through Sales And Redemptions	296.708	550.421
Impairment Loss	-	-
Interest Income Accruals	1.313.414	1.801.019
<b>Balance at End of Period</b>	<b>17.336.939</b>	<b>12.825.981</b>

Expected credit loss amounting to TL 11.353 is allocated in "Financial asset measured at amortized cost (December 31, 2022: TL 12.207).

**7. Information on associates (net)**

**7.a Information on associates:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	İstanbul/Türkiye	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	İstanbul/Türkiye	29,46	58,19
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	İstanbul/Türkiye	16,67	56,79
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	İstanbul/Türkiye	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	İzmir/Türkiye	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/ Loss	Fair Value
1	İş Faktoring	23.159.887	3.322.574	6.888	2.643.541	-	973.456	278.257	-
2	İş Finansal (2)	48.351.353	7.196.921	100.228	5.534.039	-	1.398.755	642.329	2.638.861
3	İş Girişim(2)	1.036.035	1.026.010	3.538	13.268	-	18.801	531	351.489
4	Terme (1)	7.699	4.831	1.535	-	-	(3)	(219)	-
5	Ege Tarım	71.622	32.370	46.631	246	-	11.268	1.367	-

(1) Given as of March 31, 2023. The profit/loss amount of the previous period is given as of March 31, 2022.

(2) Fair value is calculated over the date of September 30, 2023 stock market value.

**7.b Movement of associates subject to unconsolidation (2):**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1.491.613</b>	<b>775.763</b>
Movements During the Period	1.309.084	715.850
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase / decrease (1)	1.309.084	715.850
Provision for Impairment (-)	-	-
<b>Balance at the End of the Period</b>	<b>2.800.697</b>	<b>1.491.613</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial investments in associates amounting to TL 3.253 are not included in the table (December 31, 2022 : TL 2.137)

**SECTION FIVE (Continued)**

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**(Continued)**

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

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

***Information on associates purchased in the current period***

In current period the Bank has not purchased any associates

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	722.660	311.134
Leasing Companies	1.907.034	1.012.259
Financial Service Companies	-	-
Other Financial Associates	171.003	168.220

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	2.078.037	1.180.479
Associates quoted on foreign stock exchanges	-	-

**8. Information on subsidiaries (net)**

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

Current Period (1)	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	650.000
Share Premium	-	1.136
Legal Reserves	13.001	8.937
Other Comprehensive Income according to TAS	34.891	-
Current and Prior Years' Profit/Loss	447.742	1.736.502
Leasehold Improvements (-)	2.439	-
Intangible Assets (-)	1.860	82
<b>Total Core Capital</b>	<b>554.835</b>	<b>2.396.493</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>-</b>	<b>-</b>
<b>NET AVAILABLE CAPITAL</b>	<b>554.835</b>	<b>2.396.493</b>

(1) The information is obtained from financial statements subject to consolidation as of September 30, 2023.



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

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

**8. Information on subsidiaries (net) (continued)**

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

Prior Period (1)	YF	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	63.500	650.000
Share Premium	-	1.136
Legal Reserves	11.359	8.937
Other Comprehensive Income/Loss according to TAS	23.175	-
Current and Prior Years' Profit	249.255	1.149.455
Leasehold Improvements (-)	1.661	-
Intangible Assets (-)	363	34
<b>Total Core Capital</b>	<b>345.265</b>	<b>1.809.494</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>-</b>	<b>-</b>
<b>NET AVAILABLE CAPITAL</b>	<b>345.265</b>	<b>1.809.494</b>

(1) The information is obtained from financial statements subject to consolidation as of December 31, 2022.

Paid-in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. The effect of inflation adjustments on paid-in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article 519 of the Turkish Commercial Code numbered 6102. The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.

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

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

**8.c Information on subsidiaries:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	İstanbul /Türkiye	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YF)	İstanbul /Türkiye	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	İstanbul/Türkiye	88,74	88,74
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	İstanbul/Türkiye	100,00	100,00

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

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

**8. Information on subsidiaries (net) (continued)**

**8.c Information on subsidiaries(continued):**

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	95.323	75.234	15.212	6.094	-	21.739	7.532	-
2	YF (1)	3.896.810	559.134	57.786	502.801	1.368	200.129	79.478	-
3	TSKB GYO (1)(2)	2.411.023	2.396.575	1.335	8.906	-	587.107	11.242	3.436.782
4	TSKB SD	11.399	9.367	400	2.097	-	(1.160)	2.296	-

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

(2) Fair value is calculated over the September 30, 2023 stock market value.

**8.d Movement schedule for subsidiaries subject to consolidation (2):**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1.937.664</b>	<b>881.621</b>
Movements in the period	720.894	1.056.043
Purchases	-	-
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase / decrease(1)	720.894	1.056.043
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>2.658.558</b>	<b>1.937.664</b>
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 68.727 are not included in the table ( December 31, 2022: TL 51.970).

***Subsidiaries disposed in the current period***

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

***Subsidiaries purchased in the current period***

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

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

**8. Information on subsidiaries (net) (continued)**

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	2.658.558	1.937.664

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	2.126.722	1.605.723
Subsidiaries quoted on foreign stock exchanges	-	-

**9. Information on entities under common control**

The Bank has no entities under common control as of the reporting date (December 31, 2022: None).

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

**10.a Maturities of investments on leases:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	100.314	88.876	75.501	68.056
Between 1 - 4 years	136.972	99.386	129.193	108.587
More than 4 years	381.117	259.502	263.900	203.588
<b>Total</b>	<b>618.403</b>	<b>447.764</b>	<b>468.594</b>	<b>380.231</b>

Expected credit loss amounting to TL 135.752 (December 31, 2022: TL 97.153) is allocated in "Lease Receivables".

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

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

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

	Current Period	Prior Period
<b>Gross investments in leases</b>	<b>618.403</b>	<b>468.594</b>
Unearned revenue from leases (-)	170.639	88.363
Cancelled leases (-)	-	-
<b>Net investments in leases</b>	<b>447.764</b>	<b>380.231</b>

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

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

**11. Explanation on derivative financial assets held for hedging purposes**

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

There is a positive differences amounting to TL 549.132 related to derivative financial assets for hedging purposes (December 31, 2022: 387.926 positive differences).

As of September 30, 2023, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	11.446.394	-	191.118	15.582.944	-	134.010
FC	11.446.394	-	191.118	15.582.944	-	134.010
TL	-	-	-	-	-	-
Money Swaps	24.096.329	549.132	-	10.914.093	387.926	-
FC	24.096.329	549.132	-	10.914.093	387.926	-
TL	-	-	-	-	-	-

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

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

**11.a.1 Information on fair value hedge accounting**

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate and Eurobonds and Greenbonds	Interest Rate Risk	23.000	-	(83.242)	(60.242)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	143.654	-	(150.564)	(6.910)
Cross Money Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(16.823)	30.621	-	13.798

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

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	8.201	-	(3.496)	4.705
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	93.402	-	(94.182)	(780)
Cross Money Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(76.245)	80.846	-	4.601

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

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

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

**13. Information on intangible assets**

Not prepared in 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 property**

The Bank has no investment property (December 31, 2022: None).

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

**15. Information on deferred tax assets**

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

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

<b>Deferred tax asset:</b>	<b>Current Period</b>	<b>Prior Period</b>
Loan commissions accrual adjustment	16.184	20.768
Other provisions	1.427.298	851.929
Employee benefit provision	12.864	7.762
Marketable securities	141.164	178.422
Useful life difference of fixed assets	4.184	-
Other	35.372	18.194
<b>Total Deferred Tax Asset</b>	<b>1.637.066</b>	<b>1.077.075</b>
<b>Deferred tax liability:</b>		
Valuation of derivative instruments	(383.214)	(322.260)
Useful life difference of fixed assets	-	(1.000)
Other (1)	(79.895)	(43.794)
<b>Total Deferred Tax Liability</b>	<b>(463.109)</b>	<b>(367.054)</b>
<b>Net Deferred Tax Asset</b>	<b>1.173.957</b>	<b>710.021</b>

(1) In other item, there is also a deferred liability related to hedge accounting amounting to TL 43.096 (December 31, 2022: TL 23.350)

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Asset / (Liability) - Net	710.021	394.121
Deferred Tax (Loss) / Gain	332.106	426.056
Deferred Tax that is Realized Under Shareholder's Equity (1)	131.830	(110.156)
<b>Deferred Tax Asset / (Liability) Net</b>	<b>1.173.957</b>	<b>710.021</b>

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

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. (December 31, 2022: None)

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

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (December 31, 2022: None).

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

**16. Explanation on assets held for sale**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Net book Value at beginning of the period</b>	-	64.403
Cash Paid for Purchase	-	-
Expected Loss (-)	-	64.403
<b>Net book Value at the end of the period</b>	-	-

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. With the restructuring on 17 August 2022, the Bank's participation rate increased to 1,8403% and no fee was paid by the Bank for the increase. The Parent Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

As of March 31, 2022, LYY Telekomünikasyon A.Ş. owned by Türk Telekomünikasyon A.Ş. 192.500.000.000 A group registered shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sales amount, a collection was made from the related loan in proportion to the Bank's share. However, as of the current period, a provision for impairment has been set aside for the entire acquired asset. The liquidation decision of LYY Telekomünikasyon A.Ş. was taken at the General Assembly Meeting dated 27.12.2022 and the liquidation of the company was registered by the Istanbul Registry of Commerce on 28.12.2022. In this context, the amount of the partnership share, all of which was allocated in its provisions for the previous years and follow-up accounts under the "Fixed Assets Related to Held and Discontinued Activities for Sale Purposes", have been written off from the asset in accounting terms.

**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 (December 31, 2022: None).

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

**II. Explanations and disclosures related to the liabilities**

**1. Information of maturity structure of deposits**

**1.a Maturity structure of deposits:**

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

**2. Negative differences table related to derivative financial liabilities**

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	17.044	808	117	503
Swap Transactions	42.021	1.226.882	169.879	827.834
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>59.065</b>	<b>1.227.690</b>	<b>169.996</b>	<b>828.337</b>

(1) Derivative financial liabilities for hedging purposes amounting to TL 191.118 (December 31, 2022: 134.010:), were presented at "Derivative Financial Liabilities".

**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	31.027	-	-	552.003
From Foreign Banks, Institutions and Funds	-	99.678.189	-	70.262.082
<b>Total</b>	<b>31.027</b>	<b>99.678.189</b>	<b>-</b>	<b>70.814.085</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	31.027	534.909	-	251.625
Medium and long-term	-	99.143.280	-	70.562.460
<b>Total</b>	<b>31.027</b>	<b>99.678.189</b>	<b>-</b>	<b>70.814.085</b>



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

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

**3.c Information on marketable securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	28.672.875	-	20.467.150
Cost	-	28.521.742	-	20.362.637
Book Value	-	28.897.328	-	21.047.752

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

As of January 14, 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 January 14, 2026 with fixed interest rate, 5 years maturity and semiannual coupon payment.

As of September 19, 2023, the Bank issued USD 300 million worth of Eurobonds. The interest rate of the fixed-rate, 5-year + 1 month maturity and 6-month coupon payment debt instrument, whose redemption date is October 19, 2028, has been determined as 9,375%.

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

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

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

There are no other liabilities, which exceed 10% of the balance sheet total (December 31, 2022: None).

**5. Informations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

The Bank has no financial lease payables (December 31, 2022: None).

**5.b Explanations regarding operational leases:**

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 9 cars, 388 cellphones and 404 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (December 31, 2022: 2 head office buildings, 1 branch, 9 cars and 383 computers under operational leasing). In the current period, the Bank has lease liability with TFRS 16 amounting to TL 127.493 related to operational lease transactions (December 31, 2022 : TL 2.245).

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

The Bank has no sale and lease back transactions as of the reporting date (December 31, 2022: None)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	191.118	-	134.010
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>191.118</b>	<b>-</b>	<b>134.010</b>

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

**7. Explanations on provisions**

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

The Bank has no foreign exchange losses on the foreign currency-indexed loans (December 31, 2022: None).

**7.b Third-stage expected loss provisions on non-compensated and non-cash loans or expected losses on non-cash loans:**

The Bank's third-stage expected loss provisions provided for unindemnified non cash loans amounts to TL 5.245 (December 31, 2022: TL 1.892). The Bank has an expected loss provision amounting to TL 117.119 for non-cash loans (December 31, 2022: TL 47.957).

**7.c Information on other provisions:**

**7.c.1 Free provision for possible risks:**

Free provision amounting to TL 1.750.000 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 (December 31, 2022: TL 900.000).

**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 September 30, 2023, employee termination benefits is amounting TL 26.930 reflected in financial statements (December 31, 2022: TL 24.562). As of September 30, 2023, the Bank has provided a reserve for unused vacation amounting to TL 15.950 (December 31, 2022: TL 6.489). This balance is classified under reserve for employee benefits in the financial statements.

***Liabilities on pension rights***

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of September 30, 2023, the Bank has no obligations on pension rights (December 31, 2022: None).

***Liabilities for pension funds established in accordance with Social Security Institution***

None as of September 30, 2023 (December 31, 2022: None).

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

**7. Explanations on provisions**

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

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of December 31, 2022 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated January 24, 2023, there is no need for technical or actual deficit to book provision as of December 31, 2022.

Accordingly, as of September 30, 2023 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Section 3 Note XVI, the accounting policies related with employee benefits.

**7.c.3 Explanations on litigation**

As of September 30, 2023, litigationis amounting TL 70.000 reflected in financial statements (December 31, 2022: 61.930).

**7.c.4 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:**

None (December 31, 2022: None).

**8. Explanations on taxes payable**

**8.a Explanations on current taxes payable:**

**8.a.1 Explanations on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Tax Payable	1.331.679	-	520.578	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>1.331.679</b>	<b>-</b>	<b>520.578</b>	<b>-</b>

**8.a.2 Information on taxes payable:**

	Current Period	Prior Period
Corporate Taxes Payable	1.331.679	520.578
Taxation of Securities	3.416	2.161
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	22.738	19.328
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	2.675	2.161
Other	11.832	7.291
<b>Total</b>	<b>1.372.340</b>	<b>551.519</b>

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

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

**8. Explanations on taxes payable**

**8.a.3 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-EdavamEmployee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	295	131
Unemployment insurance-Employer	589	260
Other	-	-
<b>Total</b>	<b>884</b>	<b>391</b>

**8.b Information on deferred taxes liabilities:**

As at the reporting date, the Bank has no deferred tax liability (December 31, 2022: None).

**9. Explanations on liabilities regarding assets held for sale**

None (December 31, 2022: None).

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

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

**11. Explanations on shareholders' equity**

**11.a Presentation of paid-in capital:**

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

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

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	7.500.000

**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 March 28, 2023, 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 March 29, 2022, the Bank does not have any capital increase during the current period.

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

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

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

**11. Explanations on shareholders' equity**

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

None (December 31, 2022: None).

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

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period. (December 31, 2022: 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, profitability and liquidity of the Bank and their trends in the successive periods are followed by Budget Planning Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analysis.

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

**11.g Information on preferred shares which representing the capital:**

There are no privileges granted to the Bank's shares representing the capital (December 31, 2022: None).

**11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Associates, Subsidiaries, and Entities Under Common Control</b>	<b>2.029.812</b>	<b>-</b>	<b>1.058.673</b>	<b>-</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>1.126.538</b>	<b>(243.301)</b>	<b>1.017.332</b>	<b>(266.330)</b>
Valuation Differences	803.579	(243.301)	843.933	(266.330)
Foreign Exchange Difference	322.959	-	173.399	-
<b>Total</b>	<b>3.156.350</b>	<b>(243.301)</b>	<b>2.076.005</b>	<b>(266.330)</b>

**11.i Informations on legal reserves:**

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

**11.j Informations on extraordinary reserves:**

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

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**SECTION FIVE (Continued)**

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

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

**1. Explanation on off-balance sheet liabilities**

**1.a Types and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	440.036	163.786
Commitments for Stock Brokerage Purchase and Sales	511.259	308.422
Commitments for Letter of Credit	726.867	572.595
Capital commitments for subsidiaries and associates (1)	167.506	138.750
Other	96.082	123.677
<b>Total</b>	<b>1.941.750</b>	<b>1.307.230</b>

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

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 6.846.604 (December 31, 2022: TL 3.570.065).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 8.591.179 (December 31, 2022: TL 3.735.546).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	4.885.261	1.285.671
With maturity of one year or less than one year	440.614	88.235
With maturity of more than one year	4.444.647	1.197.436
Other non-cash loans	10.552.522	6.019.940
<b>Total</b>	<b>15.437.783</b>	<b>7.305.611</b>

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

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

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

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

**2. Explanation related to derivative financial instruments**

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

**3. Explanations on loan derivatives and risk exposures**

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

**SECTION FIVE (Continued)**

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

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

**4. Explanations on contingent liabilities and assets**

There are 32 legal cases against the Bank which are amounting to TL 648 as of the reporting date (December 31, 2022: TL 648 - 28 legal cases).

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

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

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

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements. The provision for a lawsuit filed against the Bank is included in the Note 7.c.3 of Section Five.

**5. Custodian and intermediary services:**

The Bank has not provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments. The details of the securities taken as collateral are shown in the off-balance sheet accounts.

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**SECTION FIVE (Continued)**

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

**IV. Explanations and disclosures related to the income statement**

**1. Information on interest income**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (1)				
Short term loans	110.016	385.374	183.163	161.754
Medium and long term loans	787.755	6.270.084	307.567	2.942.158
Interest on non-performing loans	8.315	-	2.262	9.914
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>906.086</b>	<b>6.655.458</b>	<b>492.992</b>	<b>3.113.826</b>

(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)	53	-	309	-
Domestic banks	2.830	12.886	618	2.232
Foreign banks	-	2.309	-	1.731
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>2.883</b>	<b>15.195</b>	<b>927</b>	<b>3.963</b>

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

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	-	-	3	-
Financial Assets at Fair Value Through Other Comprehensive Income	399.521	292.919	379.570	382.973
Financial Assets Measured at Amortized Cost	2.430.289	477.843	1.899.987	132.165
<b>Total</b>	<b>2.829.810</b>	<b>770.762</b>	<b>2.279.560</b>	<b>515.138</b>

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of September 30, 2023, the valuation of these securities is based on %62.2 (October 2022-October 2023) annual inflation forecast (September 30, 2022: 80.84 %).



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**SECTION FIVE (Continued)**

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

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

**1. Information on interest income (continued)**

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	113.308	34.500

**2. Information on interest expenses**

**2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	9.426	1.550.045	7.051	528.317
The Central Bank of Turkey	-	-	-	-
Domestic banks	9.426	449.648	2.950	222.406
Foreign banks	-	1.100.397	4.101	305.911
Branches and head office abroad	-	-	-	-
Other financial institutions	-	2.497.910	-	673.193
<b>Total (1)</b>	<b>9.426</b>	<b>4.047.955</b>	<b>7.051</b>	<b>1.201.510</b>

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

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

The Bank has no interest expense to its associates and subsidiaries (September 30, 2022: None).

**2.c Information on interest expense to securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (1)	-	969.411	-	976.369

(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
<b>Profit</b>	<b>7.099.034</b>	<b>6.525.162</b>
Gains on capital market operations	3.288	7.960
Gains on derivative financial instruments (1)	5.460.061	5.675.569
Foreign exchange gains	1.635.685	841.633
<b>Losses (-)</b>	<b>(5.170.483)</b>	<b>(5.729.316)</b>
Losses on capital market operations	(24.208)	(1.800)
Losses on derivative financial instruments (1)	(3.248.549)	(2.668.991)
Foreign exchange losses	(1.897.726)	(3.058.525)

(1) Foreign exchange gain from derivative transactions amounting to TL 3.513.466 is presented in "Gains on derivative financial instruments" (September 30, 2022:3.060.470 ), foreign exchange loss from derivative transactions amounting to TL (1.462.692) is presented in "Losses on derivative financial instruments" (30 September 2022: TL (952.992).

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**SECTION FIVE (Continued)**

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

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

**5. Explanation related to other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions Released	92.237	78.825
Gains on Sale of Assets	1.492	212
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	1.492	212
From Other Asset Sales	-	-
Other	19.748	6.680
<b>Total</b>	<b>113.477</b>	<b>85.717</b>

**6. Expected credit loss of the Bank**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	1.422.628	1.828.559
12 Months Expected Credit Loss (Stage 1)	375.370	205.967
Significant Increase in Credit Risk (Stage 2)	1.007.845	680.275
Non-performing Loans (Stage 3) (2)	39.413	942.317
Marketable Securities Impairment Expenses	4.420	2.702
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.420	2.702
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other (1)	870.000	395.288
<b>Total</b>	<b>2.297.048</b>	<b>2.226.549</b>

(1) As of the reporting date the free provision expense for possible losses amounting to TL 850.000 has been incurred (September 30, 2022: TL 280.000).

(2) Also includes the free provision amount for the loan belonging to LYY Telekomünikasyon A.Ş., which was written off from an asset in the prior period.

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

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

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

**7. Information related to other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	2.367	20.151
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	26.582	17.220
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	2.410	1.293
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	159.823	50.110
Leasing Expenses on TFRS 16 Exceptions	7.595	2.762
Maintenance expenses	1.670	1.129
Advertisement expenses	1.834	1.072
Other expenses (2)	148.724	45.147
Loss on sale of assets	-	-
Other (1)	136.600	50.090
<b>Total</b>	<b>327.782</b>	<b>138.864</b>

(1) Tax and fee expenses, excluding corporate tax, amounting to TL 77.398; Includes vacation allowance expenses amounting to TL 9.462 (30 September 2022: includes tax and fee expenses excluding corporate tax amounting to TL 21.744, permit provision expenses amounting to TL 3.414).

(2) It includes donations amounting to TL 60.776 made due to the earthquake disaster dated February 6, 2023.

**8. Information on tax provision for continued and discontinued operations**

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

The Bank has amounting to TL 2.098.208 current tax expense for the period (September 30, 2022: TL 986.573 expense). Deferred tax expense is TL 332.106 (September 30, 2022: TL : 216.048 income).

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

Deferred tax income calculated on temporary differences is TL 332.106 (September 30, 2022: TL 216.048 TL income).

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

There is no deferred tax income or expense reflected in the income statement in terms of financial losses and tax deductions and exceptions (September 30, 2022: None).

**SECTION FIVE (Continued)**

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

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

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

As of September 30, 2023, the Bank's profit before tax has increased by 90,18% compared to the prior period.

**10. Information on net profit/loss**

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

The Bank has generated TL 11.730.545 of interest income, TL 5.229.416 of interest expenses and TL 287.304 of net fee and commission income from banking operations (September 30, 2022 TL 6,905,446 interest income, TL 2,240,142 interest expenses, TL 119,472 net fee and commission income)

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

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

**10.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (September 30, 2022: None).

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

None other than other operating expense explained in Note IV.6, exceeds 10% of the income statement.

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

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

**V. Explanations on the risk group of the Bank**

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

**1.a Current Period:**

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	1.496.337	2	592.026	-	-	-
Balance at End of Period	1.767.006	2	631.531	-	-	-
Interest and Commission Income	109.055	4.253	43.873	-	-	-

**1.b Prior Period:**

Risk Group of the Bank (1)	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	997.287	9.754	489.070	-	13.581	-
Balance at End of Period	1.496.337	2	592.026	-	-	-
Interest and Commission Income	33.448	1.052	19.709	-	186	-

(1) As of March 31, 2022, the Bank provided from its Parent Partner a sustainable subordinated loan with a nominal amount of USD 200 million and a redemption date of March 31, 2027, with a coupon payment every 6 months.

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	1.802.161	-	-	-	-	-
Total Profit / Loss (1)	(2.692)	-	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss (1)	-	-	-	-	-	-

(\*) Prior Period includes informations about September 30, 2022.

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

Benefits provided to the key management personnel in the current period amount to TL 55.361 (September 30, 2022: TL 24.498).

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

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

**VI. Explanations and footnotes related to post-balance sheet issues**

As a result of the Corporate Governance Rating conducted by SAHA Corporate Governance and Credit Rating Services Inc. (SAHA), our Bank's Corporate Governance Rating was increased from 95.86% (9.59 out of 10) to 96.55% (9.66 out of 10) as of October 19, 2023.

**SECTION SIX**

**AUDITORS' REPORT**

**I. Explanations on the auditors' limited review report**

The unconsolidated financial statements for the period ended on the same date as of September 30, 2023 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's review report dated October 31, 2023 is presented preceding the financial statements.

**II. Explanations and notes prepared by independent auditors**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
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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	Chairperson	2021-2024	No	-
Ece Börü	Vice Chairperson	2022-2024	No	Member of Corporate Governance Committee, Member of Sustainability Committee
Murat Bilgiç	Board Member	2022-2024	No	Member of Credit Revision Committee, Member of Sustainability Committee, Member of Risk Committee
Bahattin Özarslantürk	Board Member	2021-2024	Yes*	Chair of Credit Revision Committee, Member of Audit Committee, Member of Risk Committee
Mithat Rende	Board Member	2023-2024	No	Member of Sustainability Committee
Abdi Serdar Üstünsalih	Board Member	2021-2024	No	-
Gamze Yalçın	Board Member	2021-2024	Yes*	Chair of Audit Committee, Chair of Corporate Governance Committee, Chair of Remuneration Committee, Chair of Risk Committee
M. Sefa Pamuksuz	Board Member	2023-2024	Yes	-
Cengiz Yavilioğlu	Board Member	2021-2024	No	-
Murat Doğan	Board Member	2022-2024	No	Member of Corporate Governance Committee, Member of Remuneration Committee, Member of Sustainability Committee
Celal Caner Yıldız	Board Member	2022-2024	No	Member of Credit Revision Committee, Member of Sustainability Committee

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

**Changes in Board of Directors during the period**

There has been no change in the Bank's Board of Directors in the period between June 30, 2023 – September 30, 2023.

**Information on the Bank's Board Meetings**

The Board of Directors issued 27 decisions in the period between January 01, 2023 – September 30, 2023. Board Members attended the meetings at a satisfactory level.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
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**INFORMATION ON INTERIM ACTIVITY REPORT**

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

**GENERAL INFORMATION (Continued)**

**Senior Management and Directors**

<b>Name Surname</b>	<b>Position</b>
Murat Bilgiç	CEO
Meral Murathan	Executive Vice President - Treasury, Financial Institutions and Investor Relations, Development Finance Institutions, Economic Research
Özlem Bağdatlı	Executive Vice President - Human Resources, Legal Affairs, Pension and Assistance Funds
Hasan Hepkaya	Executive Vice President - Corporate Banking Marketing, Corporate Banking Sales, Project Finance
Engin Topaloğlu	Executive Vice President - Financial Control, Budget and Planning, Procurement & Financial Affairs Management
Poyraz Koğacioğlu	Executive Vice President - Corporate Finance
Bilinç Tanağardı	Executive Vice President - Application Development, System and Network Support, Enterprise Architecture and Process Management
S. Hüseyin Gürel	Executive Vice President – Advisory Services Sales, Financial and Technical Advisory, Loan Allocation, Credit Restructure and Resolution, Engineering
Tolga Sert	Director - Loan Operations, Treasury and Capital Market Operations, Credit Portfolio Management and Analytics, Loan Analysis
Dr. Burcu Ünüvar	Director - Chief Economist

**Changes in Senior Management and Directors**

Mr. Hakan Aygen has retired from his duty effective as of 31 August 2023.

On 1 September 2023, Mr. S. Hüseyin Gürel has been appointed as Executive Vice President. On 1 August 2023, Ms. Dr. Burcu Ünüvar has been appointed as Director.

Mr. S. Hüseyin Gürel and Ms. Dr. Burcu Ünüvar's resume is provided below.

*S. Hüseyin Gürel*

Born in 1983 in Istanbul, Seyit Hüseyin Gürel graduated from the Department of Economics at the Middle East Technical University in 2007. Starting his professional life at Industrial Development Bank of Turkey, Mr. Gürel held various positions in Financial Analysis Department between 2007 and 2015. Mr. Gürel was positioned in Corporate Banking Department in 2015. Mr. Gürel was promoted as the Department Head of Corporate Banking Marketing in 2019 and appointed as Department Head of Advisory Services and Marketing in 2020. As of 1 September 2023, Hüseyin Gürel has been appointed as Executive Vice President in charge of Advisory Services Sales, Financial and Technical Advisory Department, Loan Allocation, Credit Restructure and Resolution, Engineering Departments.



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**INFORMATION ON INTERIM ACTIVITY REPORT**

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

**GENERAL INFORMATION (Continued)**

**Changes in Senior Management and Directors (continued)**

*Dr. Burcu Ünüvar*

Burcu Ünüvar started her career at investment banking in 2004 and worked as the Senior Economist at Is Investment until 2013. Following her investment banking career, she joined Bilkent University as a full time academic at the Department of Economics.

In April 2017 she joined TSKB as the Chief Economist and the Head of Economic Research Department. As of August 2023, she was promoted to the Director position while also continuing her research as the Chief Economist, coordinating macroeconomic content regarding markets and development themes, with a focus on ecosystem crisis.

Ms Ünüvar holds a Bachelor Degree in Business Administration, MSc Degree in Applied Economics and Finance from Denmark and USA, and a PhD in Economics. On a related front, she continues her research as a non-teaching academic focusing on monetary policy, central bank communication and green central banking.

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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)**

**ASSESSMENT OF THE PERIOD BY THE CHAIRPERSON OF THE BOARD**

During the third quarter, the global economy continued to experience fluctuations, and increasing geopolitical uncertainties and the volatile nature of oil prices added to the challenges in shaping the economic forecast. While it seems that central banks have concluded their interest rate hike cycle, it is important to note that substantial upside risks to global inflation still persist. Hence, there is a growing consensus that the scope for rate cuts in 2024 may be narrower than initially priced in.

The policies implemented by the new economic administration in Türkiye, including measures to tighten monetary policy and the recently unveiled Medium Term Program (MTP), have garnered positive feedback from both domestic and international economic stakeholders. Thanks to the policies in place, Türkiye's sovereign risk premium has decreased, and there has been an enhancement in external financing conditions. On the domestic front, international issuances, which had been on hold since January, recommenced in September. The Central Bank of the Republic of Türkiye (CBRT) is persisting in its efforts to tighten monetary policy by implementing selective credit and quantitative tightening measures. The goal is to achieve disinflation at the earliest opportunity, stabilize inflation expectations, and curtail adverse trends in pricing behavior. In this context, the CBRT underscores its commitment to an incremental tightening approach that will persist until a marked improvement in the inflation outlook is achieved.

Maintaining its resilience, the banking sector delivered a robust performance in the third quarter, surpassing its performance in the preceding quarter. TSKB distinguishes itself through its strong income generation capabilities and unique business model, all while upholding a prudent approach through its prudent provisioning policy. TSKB's performance during the first nine months of the year remained consistent with its established business plan. The Bank remains committed to contributing to Türkiye's sustainable development and meeting its customers' needs through its expertise and mission-driven approach in corporate banking, investment banking, and advisory services.

Kind regards,

Sincerely,

Chairperson of the Board

Adnan Bali

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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)**

**ASSESSMENT OF THE PERIOD BY THE CEO**

Having successfully achieved our projections for the first nine months of 2023, the third quarter marked a period of substantial advancements in both funding and investment banking activities. Throughout our 73-year history, we have undertaken significant responsibilities as a bank dedicated to promoting Türkiye's high-quality and sustainable development. During this time, we have persistently enhanced our business continuity and expanded our sphere of influence. In this context, on the 100<sup>th</sup> Year of our Republic, we inaugurated our second Development Hub in Ankara.

In July, we successfully renewed our sustainability-linked syndicated loan, achieving a rollover ratio of 113%. Following that, in September, we issued our fourth sustainable bond worth USD 300 million, with demand exceeding 2,5 times the initial issuance amount. The funds raised from our issuance, which stands as a significant testament to investors' confidence in both our country and our Bank, will be utilized to further support investments in environmental and social development in accordance with our sustainability framework.

Since February, we have dedicated considerable efforts to the reconstruction and restoration of development and prosperity in disaster-stricken areas. As part of our commitment to social responsibility initiatives, we embarked on a mission to establish school libraries in cities impacted by earthquakes. Our first library, named the "TSKB Centennial of the Republic Library," was inaugurated in Adıyaman in an enhanced library format. Through our ongoing support, our objective is to establish school libraries in ten additional provinces that have been impacted by earthquakes by the year 2025.

We are pleased to have received two awards for our Integrated Annual Report, which is Türkiye's first "Energy Efficient Annual Report." Our 2022 Integrated Annual Report was honored with top awards in the "Interactive" and "Specialized AR" categories at the ARC Awards, recognized as the most prestigious accolades in the global field of annual reporting. During the same period, at the 23<sup>rd</sup> Excellence Awards hosted by the Brandon Hall Group, we won the gold award in the categories of "Best Advance in Coaching and Mentoring" and "Best Advance in Talent Acquisition Process," as well as the silver award in the category of "Best Benefits, Wellness and Well-Being Program." We take pride in the fact that the value generated through the sustainable and inclusive management of our human capital, a pivotal element in our value creation model, is recognized and celebrated through the awards we receive.

Due to our robust performance in the first nine months of 2023, we have experienced a growth of approximately 2% in our loan portfolio on an FX-adjusted basis year-to-date. We maintained the ratio of SDG-linked loans in our total portfolio at 92% as of end-September. With our current liquidity and the additional funds we will acquire, we remain committed to supporting companies in Türkiye with investments focused on environmental and social development in the upcoming period.

In the third quarter of 2023, our Bank's total assets amounted to TL 164 billion, while our total loan portfolio reached TL 115,8 billion. Our commission income from investment banking and advisory activities also supported our banking revenues with an annual increase of 140%. In the first nine months of 2023, we generated a profit before provisions and taxes of TL 9 billion, while our net profit for the same period was TL 5 billion. Our return on equity ratio reached 42,3%.

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

**ASSESSMENT OF THE PERIOD BY THE CEO (Continued)**

Through our investment banking mission, we assist our clients in their pursuit of value creation. In this context, we played a key role as intermediary in the public offering of Reeder Teknoloji Sanayi ve Ticaret A.Ş. (REEDR), a technology sector company, jointly led by Yatırım Finansman Menkul Değerler and Ziraat Yatırım Menkul Değerler. Furthermore, in line with our mission and long-term goals, we continue to support investments that make a tangible and multidimensional contribution to Türkiye's sustainable development goals. In pursuit of this objective, together with VakıfBank, we collectively supplied a financing package totaling USD 80 million to Pomega Enerji Depolama Teknolojileri, a green technology manufacturer. This package comprised a USD 60 million investment loan and a USD 20 million working capital loan.

With our focus on sustainable and inclusive development banking, we are dedicated to accompanying the green transformation journeys of our stakeholders. We will persist in delivering innovative solutions to meet our clients' requirements and contribute to our country's economy with our corporate banking, investment banking and advisory services in the second century of our Republic.

Sincerely,

Chief Executive Officer

Murat Bilgiç

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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 Third Quarter of 2023**

The global economy remained resilient throughout the third quarter of 2023. Globally, the services sector saw a gradual deceleration in momentum, although it slowed at a reduced rate, whereas manufacturing activity exhibited some signs of recovery. Despite the supportive measures implemented in China, concerns and uncertainties remain regarding the real estate sector and the speed of economic recovery. Elevated interest rates, along with the recent escalation of geopolitical tensions, contribute to the downside risks in the global growth outlook. Concerns regarding the impact of surging energy prices on global inflation's pace of recovery have intensified. Additionally, the anticipation that central banks in major economies might maintain higher interest rates for a more extended period than previously thought has resulted in a rise in bond yields and a reduction in risk appetite. The International Monetary Fund (IMF) adjusted its global growth projections in its October Global Economic Outlook report, raising the 2023 forecast from 2,8% (as of April) to 3,0% and revised the 2024 growth forecast from 3,0% to 2,9%. For 2023, the global consumer inflation is projected to be 6,9%, which is only 0,1 percentage points lower than the previous projection. Nonetheless, the IMF has put forth a projection that inflation is expected to reach 5,8% in 2024, marking an increase of 0,9 percentage points compared to its previous forecast. Although the IMF has indicated that inflation targets might not be attained by many countries until 2025, it has also increased its assumptions for policy rates. It has been noted that fiscal policies are currently neutral, but a more restrictive approach will be adopted in the following year.

The Turkish economy exceeded expectations by achieving robust growth in the second quarter of 2023. In the second quarter of 2023, despite the impact of inventories and external demand, gross domestic product (GDP) demonstrated growth primarily driven by domestic demand. According to adjusted data for calendar and seasonal factors, the GDP saw a quarter-on-quarter growth of 3,5%, with an annualized GDP growth rate of 3,8%. The annualized GDP, standing at USD 970,4 billion by the end of the first quarter in 2023, saw a rise to USD 1.022,2 billion during the second quarter.

Early indicators for the third quarter of 2023 suggest a deceleration in economic activity within the domestic market. Industrial production decreased by 0,4% in July and by 0,8% in August when compared to the previous month. Retail sales increased by 2,7% month-on-month in July, but declined by 4,7% in August. In the labor market, based on seasonally adjusted data, the unemployment rate decreased from 9,4% in July to 9,2% in August. However, various comprehensive unemployment indicators revealed a mixed or diverging trend. On the other hand, despite the manufacturing Purchasing Managers' Index (PMI) climbing to 49,6 in September, it has remained within the contraction zone for the past three months. The capacity utilization rate has shown minimal variation in the past three months, while sectoral confidence indices have exhibited fluctuations. Other indicators, such as loan volume and expenditure in the banking sector, suggest a modest deceleration.

Exports remained weak, while imports and the foreign trade deficit contracted due to a decline in the energy item. Although there was a continued recovery in the tourism sector, it was at a slower pace, and the contraction in the transportation sector hindered the overall improvement in the current account balance. According to preliminary data from the Ministry of Trade, exports declined by 0,3% in the first nine months compared to the same period in 2022, while imports increased by 1,3%. As a result, the foreign trade deficit in the first nine months of 2022 widened from USD 83,1 billion to USD 87,3 billion. The current account deficit, which stood at USD 35,0 billion in January-August 2022, expanded to USD 43,1 billion in the corresponding period of 2023.

Exchange rate fluctuations, along with rises in certain tax items and wage adjustments, contributed to the inflationary pressures observed in the third quarter. The annual inflation rate in the headline Consumer Price Index (CPI) increased to 61,5% in September, up from 38,2% at the end of the second quarter of 2023. During the same period, the annual inflation rate in the general domestic producer price index (D-PPI) increased from 40,4% to 47,4%. Furthermore, the accumulation of costs and declining expectations also contribute to the potential upward risks to inflation. The CBRT raised the policy rate from 8,50% to 15,00% in June and proceeded with additional rate hikes during its meetings in July, August, and September. During its most recent meeting, the CBRT increased the weekly repo rate by 500 basis points to 30,0% and emphasized its commitment to gradually reinforcing monetary tightening as required until a substantial improvement in the inflation outlook is achieved.

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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 IN THE INTERIM PERIOD (continued)**

**Economic Developments in the Third Quarter of 2023 (continued)**

**Markets**

Global markets exhibited a degree of fragility during the third quarter of 2023. Anticipations of major central banks adopting more prolonged and elevated interest rate policies to counter inflation, coupled with volatile energy prices and escalated geopolitical uncertainties, triggered significant surges in bond yields and intensified selling pressure on high-risk assets. The recent increase in geopolitical tensions and the pursuit of safe-haven investments contributed to a rise in gold prices. In contrast to the first two quarters, equity benchmark indices experienced a decline in the third quarter.

Overall, domestic financial markets demonstrated a positive performance during the third quarter of the year. In the second quarter, the Borsa İstanbul 100 and 30 indices registered gains of 44,7% and 37,5%, respectively. In the same period, the banking sector saw a rise of 64,9%. Bond yields increased in alignment with CBRT policy rates, resulting in the yield on the 2-year benchmark bond reaching 29,7% by the end of the third quarter, a surge from the 13,5% level at the end of June. Despite a decrease in the country risk premium, the Turkish lira experienced a slight depreciation in the third quarter, with the USD/TRY exchange rate settling at TL 27,4 by the end of September.

**Banking Sector**

In the first nine months of 2023, total loans surged by 40,7% in nominal terms in Turkish lira and by 26% in FX-adjusted terms in basket currency. According to BRSA's Weekly Bulletin, during this period, the sector's Turkish lira (TL) loans grew by 42,1%, whereas foreign currency (FX) loans declined by 5,6% on an FX-adjusted basis. Additionally, during the same period, TL corporate loans experienced a rise of 35,3%, while retail loans surged by 57,7%. In the first nine months of 2023, the sector's loan growth was primarily driven by the increase in SME loans and the rise in retail credit card usage.

As of September 2023, total corporate loans rose by 19,1%, primarily propelled by the growth in TL corporate loans. Within the sector, SME loans surged by 40,5% in FX-adjusted terms, while corporate loans excluding SMEs increased by 8,3%. Thanks to the Credit Guarantee Fund, SME loans experienced significant growth of 59,9% in state-owned banks and 21,5% in private banks.

The sector's non-performing loan ratio, which stood at 2,1% as of end-2022, was realized as 1,55% as of end-September with the contribution of limited non-performing loan formation and the increase in total loans. In the first nine months, the sector's non-performing loans increased by 4,1%, reaching TL 168 billion. However, the non-performing loan ratio improved from 1,8% to 1,41% in corporate loans excluding SMEs and from 2,81% to 1,74% in SME loans, due to the contribution of performing loans. In the retail loans sector, despite a decrease in loan disbursements, the growth rate of loan volumes decreased from 1,9% to 1,64%.

Since the beginning of the year, TL deposits in the sector have grown by 64,8% in nominal terms. The contraction in FX deposits during the first three months was reversed with a 24% increase in the second quarter, driven by exchange rate appreciation. Additionally, there was a 33% growth in the third quarter when compared to the beginning of the year. Total deposits surged by 50% during the third quarter. FX-adjusted FX deposits registered an 8,9% year-on-year decrease in the third quarter.

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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 IN THE INTERIM PERIOD (continued)**

**Economic Developments in the Third of Quarter (continued)**

**Banking Sector (continued)**

The share of FX deposits in total deposits also declined from 47% to 42% compared to end-2022. As of the end of September, the amount of funds transferred to FX-protected deposits increased by 133% year-to-date, amounting to TL 3,3 trillion, which represents 24,8% of the total deposits. Its share in total TL deposits is 41,9%.

As of September, the sector's net interest margin, excluding trading profit/loss, stood at 4,1%, with private banks at 5,1% and public banks at 3,1%. Including trading profit/loss, the net interest margin in the sector is 6,1%, with private banks at 8% and public banks at 3,9%. The sector's shareholders' equity expanded by 35% compared to year-end, reaching TL 1,9 trillion, and the sector executed a capital increase of TL 81 billion in the first 9 months. As of September, the sector's capital adequacy ratio was 18,5%, and excluding temporary adjustments, it was calculated at 16%. The core capital adequacy ratio stood at 14,6% and materialized at 12,7% when excluding temporary adjustments.

**GENERAL ASSEMBLY RESOLUTIONS**

The Bank's Ordinary General Assembly Meeting was held at the Bank's Headquarters on 28 March 2023. The General Assembly Resolutions were disclosed to the shareholders in the Annual Report for the Interim Period of 1 January and 31 March 2023 and on the Bank's website and the Public Disclosure Platform.

**SIGNIFICANT DEVELOPMENTS IN THE BANK'S ACTIVITIES IN THE INTERIM PERIOD**

Renewing its sustainability linked loan with a roll-over ratio of 113% in July, TSKB continues to further enrich and diversify its funding structure by issuing its fourth sustainable bond, sized 300 million US dollars in September. The deal was 2,5 times oversubscribed.

Within the scope of its social responsibility projects, TSKB set out to establish school libraries in the cities affected by earthquakes and successfully opens its first library "TSKB Republic Centenary Library" in Adıyaman. TSKB aims to open school libraries in 10 other earthquake-affected cities by 2025.

TSKB secured two ARC Awards for its 2022 Integrated Annual Report, which is Türkiye's first "Energy-Efficient Annual Report". The Bank clinched the top honors in the "Online Report-Interactive" and "Customized Annual Report-Specialized AR" categories at the world's largest international reporting competition.

The Bank, in accordance with its investment banking mission, has acted as an arranger in Teknoloji Sanayi ve Ticaret A.Ş. (REEDR)'s initial public offering alongside the co-leadership of Yatırım Finansman Menkul Değerler ve Ziraat Yatırım Menkul Değerler.

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**SIGNIFICANT DEVELOPMENTS IN THE BANK'S ACTIVITIES IN THE INTERIM PERIOD (continued)**

The Bank, along with VakıfBank, has extended 60 million dollars' worth of investment and 20 million dollars' worth of working capital loans totaling 80 million dollars of funding to green technology producer Pomega Energy Storage Technologies. Investments contributing multidimensionally to Turkey's sustainable development goals continue to be supported.

In September TSKB, the leader in sustainable banking in Türkiye, has opened its second base in Ankara. TSKB continues to and expand its reach in order for new investments to for new investments to be made according to sustainability principles and for green transformation is achieved rapidly in the Republic's Centenary.

**Developments Regarding the Bank's Corporate Governance Operations**

The Bank's "Sustainability Compliance Report" and "Company General Info Form" were published on the Public Disclosure Platform. These reports are available at <https://www.kap.org.tr/en/Bildirim/1166929> and <https://www.kap.org.tr/en/Bildirim/1165037>.

**FINANCIAL DEVELOPMENTS IN THE INTERIM PERIOD**

The summary for the Bank's main financial indicators as of September 30, 2023 is provided below:

Total assets surged by 51% compared to the same period last year and increased by 42% compared to the end of 2022, reaching TL 164,0 billion.

As of end-September, the total loan portfolio stood at TL 115,8 billion, reflecting a 54% year-on-year increase and a 44% growth compared to the end of 2022. The loans to assets ratio stands at 71%. The ratio of non-performing loans to total loans stood at 1,8% as of the end of September.

Shareholders' equity reached TL 19 billion, marking a 96% increase compared to the same period last year and a 48% increase compared to the end of 2022. The capital adequacy ratio, which stood at 22,4% by the end of 2022, stood at 23,3% as of the end of September.

In the first nine months of 2023, net interest income increased by an annual 39% to stand at TL 6.518,4 million, while the income from fees and commissions rose by 140% to reach TL 287,3 million. In 2022, the cost-income ratio stood at 6,6%, it increased to 9,6% due to the donations made to the earthquake zone in the third quarter.

In the first nine months of the year, net profit witnessed an increase of 90% year-on-year, reaching TL 5.028 million.

Return on equity was 41,1% in 2022 and stood at 42,3% in the first nine months of 2023.

Return on assets was 4,1% at 2022 year-end and stood at 4,8% in the first nine months of 2023.



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**FINANCIAL DEVELOPMENTS IN THE INTERIM PERIOD (continued)**

**Forward-Looking Expectations**

TSKB has disclosed its expectations for 2023 with a presentation on financial results published on the Public Disclosure Platform on 1 February 2023. Performance of the Bank is on track with targets, and no revision have been made regarding the guidance figures during the third quarter of the year.

**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.

In the third quarter of 2023, the Risk Committee was established to; evaluate the risks the Bank is exposed on a consolidated and unconsolidated basis, to formulate risk management policies and submit them to the Board of Directors for approval, to determine risk management practices and risk limits and submit them to the Board of Directors for approval, to monitor them, and to ensure coordination between the Bank's executive units and internal systems. The Committee reports the results of its activities to the Board of Directors through the Audit Committee.

**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 2022 Annual Integrated Report available at the following address for further details:

<https://www.tskb.com.tr/tskbentegrerapor2022/en.html>