



## 2019 Integrated Annual Report

With our years of expertise  
and success,

***we are ready***  
***for the next 70 years***



To access the PDF copy of the TSKB 2019 Integrated Annual Report, scan the QR code in your browser.  
[www.tskb.com](http://www.tskb.com)

## NAVIGATION ICONS

The navigation symbols below are used within the report to depict the links between Bank's strategy, capitals and key performance indicators.



Financial Capital



Human Capital



Natural Capital



Intellectual Capital



Social Capital

### Your comments are invaluable.

We would like to continue disclosing transparent and reliable information for our stakeholders. Please do not hesitate to share your ideas regarding our report on how we can further improve our disclosure, via [info@tskb.com.tr](mailto:info@tskb.com.tr).



Information Box



Audited  
non-financial  
information



Information from  
other reports or  
releases



Information that  
can be accessed  
via Internet

TSKB solidifies its impact via active participation in the efforts of global initiatives and stock exchange indices.



## GENERAL ASSEMBLY MEETING AGENDA

### ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 26.03.2020

- 1- Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly.
- 2- Review and discussion of the Annual Reports of the Board of Directors and Independent Auditor Reports regarding the accounts and transactions of the Bank within the year of 2019.
- 3- Review, discussion and approval of the balance sheet and profit and loss statements of the Bank for the year of 2019.
- 4- Approval of the appointment of the members of the Board of Directors substituting the members leaving their post until the date of the General Assembly.
- 5- Release of the Members of the Board of Directors.
- 6- Approval of the Board Resolution regarding the determination and allocation of the profit generated in 2019.
- 7- Determination of allowance for the Members of the Board of Directors.
- 8- Election of the Independent Audit Firm
- 9- Presentation of the information regarding the donations made within the year and determination of the upper limit for donations to be made within the year 2020.
- 10- Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code.
- 11- Presenting information regarding the transactions within the scope of Article 1.3.6. of the Corporate Governance Principles of the Capital Markets Board.

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### 178 GRI INDEX



## Environmental Impact



## Value Created for Sustainable and Inclusive Development



## Investment in Human Resources



## Stakeholder Dialogue



## Contribution to UN Sustainable Development Goals (SDGs)



### ABOUT THE REPORT

#### QUALIFICATION, PERIOD AND SCOPE OF THE REPORT

TSKB shares its 2019 performance with Integrated Annual Report including its January 1 – December 31, 2019 Annual Report of the Board of Directors. The report is issued on a bank-only basis and excludes the operations of TSKB subsidiaries. The Bank does not deliver any operations abroad. The report only reflects the operations in Turkey.

#### CAPITAL CLASSIFICATION APPROACH

TSKB reviews, analyses and reports the update outputs of its operations, its plans and targets to its stakeholders based on the capitals classification proposed by International Integrated Reporting Council (IIRC) with an integrated point of view.

#### CONTENT OF THE REPORT

TSKB's oriented contribution to the inclusive and sustainable development is reviewed with its economic, social and environmental dimensions and analyzed in different parts of the report.

#### PUBLICATION FORMAT OF THE REPORT

Accessibility of the report by all of the stakeholders is essential and indispensable for TSKB. Therefore, the report is produced with an environment-friendly approach and shared on-line. The report can be accessed through Public Disclosure Platform and [www.tskb.com](http://www.tskb.com).

#### LEGISLATION AND COMPLIANCE TO THE REGULATORY FRAMEWORK

This report is prepared in compliance with the International Integrated Reporting Framework recommended by IIRC and Core Option of GRI Reporting Guidelines published by Global Reporting Initiative. Content of the report is compiled in accordance with the content determination methods described in GRI standards, mainly with materiality analysis.

Performance disclosures are presented mainly in the context of "GRI Standards" indicators, while progress reporting principles of United Nations Global Compact which TSKB committed in 2010 are taken into consideration.

2019 Integrated Annual Report of TSKB, which is listed on Borsa Istanbul, is in compliance with the minimum annual reporting requirements of Banking Regulation Surveillance Association (BRSA) and Capital Markets Board (CMB) legal frameworks.

#### AUDIT

TSKB 2019 Integrated Annual Report and independent audit reports were subject to assurance audit by Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young, EY). It was also subject to limited assurance audit by PwC in terms of non-financial information. Furthermore, TSKB takes audit from BSI under ISO14001 certification for a Sustainable Management System and under ISO 14064 certification regarding the calculation and verification of greenhouse gas emissions from operations.







## TSKB AT A GLANCE

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Turkey's first private development and investment bank, TSKB, will be 70 years old in 2020



Strong contribution to Turkish Economy via Corporate Banking, Investment Banking and Advisory business lines



Pioneer of sustainability and inclusiveness



## CORPORATE PROFILE

TSKB, celebrating its 70<sup>th</sup> year in the Turkish banking sector in 2020, was established in Istanbul in 1950 as Turkey's first private development and investment bank with the initiation of the World Bank and the Central Bank of Turkey, and with the share ownership of commercial banks.

TSKB's headquarters is located in Istanbul, operating with 322 people as of the end of 2019. The Bank has a non-operational branch in Ankara.

Since its establishment, the Bank has been providing an increasing contribution to promoting sustainable growth, development and the transformation of the manufacturing economy in Turkey with its extensive knowledge through its corporate banking, investment banking and advisory services capacities which it offers to a wide range of customers.

TSKB, which does not collect deposits due to its status of being a development and investment bank, obtains qualified and themed global funds within the scope of its long-standing partnerships that it has developed with supranational finance institutions, development finance institutions (DFI) and international finance institutions. The Bank also creates additional resources with the borrowing instruments it issues in the international debt capital markets. TSKB channels these funds to the investments projects and for the working capital needs of the corporates to maintain the sustainable development in Turkey.

TSKB provides medium to long-term financing products tailored to sustainable investment projects in different sectors with a wide range of options, particularly corporate loans and project financing. The Bank also increases its sphere of influence by offering loans to SMEs, exporters and to the refugee impacted regions to support workforce imbalances. through financial leasing and factoring companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking).

Distinguishing itself in the finance sector with its unique banking model which provides solutions to tackle with the threat of climate change and supports the transition to a low-carbon economy as well as extending sustainability-themed loans, TSKB's support for investments such as renewable energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. TSKB also stands out with its commitment to measure the environmental and social risks of all investment projects regardless of the amount. Having undersigned many of the leading good practices in the fields of sustainability and inclusiveness in the Turkish finance sector for the last 20 years, TSKB has been the bank which issued the first green bond in Turkey and its surrounding region.

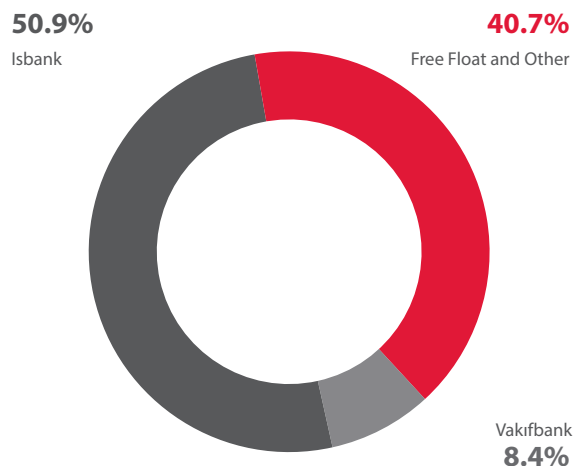
### TSKB'S SUBSIDIARIES

Yatırım Finansman Securities  
TSKB Real Estate Appraisal  
TSKB Real Estate Investment Trust  
TSKB Sustainability Consultancy (Escarus)

As Turkey's first and largest investment bank, TSKB has also played a significant role for the development of the capital markets with its operations in this area starting long before the establishment of the CMB and BIST. TSKB guides companies on their growth journeys with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition advisory, and it offers an investment banking experience to its customers at international standards. With its 70 years of knowledge and expertise, TSKB aims to enhance the added value it offers to the business world and all actors of development by restructuring the sector-specific advisory services it provides to the real sector and public institutions. Given its qualified advisory teams consisting of financial advisors, engineers and economists; the Bank provides effective solutions in the fields of development, transformation and sustainability to the companies operating in Turkey's locomotive sectors.

TSKB, which works in synergy with its subsidiaries operating in the fields of real estate, capital markets and sustainability, carries forward the expertise it offers to the country's sustainable economic development.

### TSKB'S SHAREHOLDING STRUCTURE (%)



TSKB stock is traded on BIST Stars under the ticker "TSKB" with a free float ratio of 38.6%. TSKB's registered capital ceiling is TL 4,500 million whereas its paid-in capital is TL 2,800 million as of 2019 year-end. The shareholdings of the Bank's Board Members, Auditors, Chief Executive Officer and Executive Vice Presidents are negligible.



## VISION, MISSION, VALUES

### OUR MISSION

Is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration initiatives we maintain.

### OUR VISION

Is to be the business partner that stakeholders consult and prefer as the first choice towards the economic, environmental and social development of Turkey.

### OUR VALUES

#### PIONEERING

- We create long-term value for customers, society and the future of our country through a visionary perspective and innovative services.
- We keep a close eye on international banking practices and lead our sector as a pioneer with our initiatives.

#### HUMAN-FOCUSED

- With a human-oriented approach for a qualified economic growth, we contribute to employment, equal opportunities and social development through inclusive banking solutions.
- We make business decisions together based on reasonable common-mind.
- We value team success over individual success.
- We work in harmony both within the Bank and with the organizations we cooperate.
- We never discriminate among our employees.
- We protect the rights of employees and ensure they always have equal opportunities.
- We contribute to employees' professional and personal development and encourage them to take the initiative.

#### SOLUTION-ORIENTED

- We provide flexible, fast and efficient solutions in order to optimally meet our clients' expectations and needs.
- We are prudent about the quality of the work we do and resolute in fulfilling commitments.
- Knowing that we are the leaders in our job, we take responsibility to act timely and swiftly at each stage without a need for any prior guidance.

#### RELIABLE&RESPECTFUL

- We build trustful and respectful relations with all our stakeholders.
- We never compromise on a fair, accountable, transparent and ethical banking approach, and the contemporary rules of corporate governance.
- We create value for sustainable development through an environment-friendly banking approach, and take responsibility to leave future generations a world to live in.

## CAPITALS/VALUE CREATION MODEL

### MISSION

TSKB, operating in a dynamic environment which entails diverse external factors, creates permanent value for Turkey and its stakeholders.



MACROECONOMIC DEVELOPMENTS

### OUR CAPITALS...

### ARE PROCESSED WITH "INFORMATION BANKING"...

#### INPUTS

##### FINANCIAL CAPITAL

Diversity of funds and sound liquidity  
Provision of medium- and long-term funds  
Access to state-guaranteed funds  
Robust capital  
Sustainable financials

##### HUMAN CAPITAL

Investing in employees  
Equal opportunities  
Social benefits  
Employee clubs

##### NATURAL CAPITAL

Evaluating environmental and social impact in lending processes  
Well integrated sustainability approach  
Zero carbon banking  
Sustainability focus in lending

##### INTELLECTUAL CAPITAL

Multi-disciplined evaluation and analysis capacity  
Sectoral expertise  
Ability to develop themes and products in line with client needs  
Accumulation of know-how enabling tailor-made advisory services  
Strong subsidiaries with diverse sectoral expertise

##### SOCIAL CAPITAL

Inclusiveness approach integrated into the Bank's mission  
Well-rooted and effective communication with stakeholders  
Social responsibility projects  
Sharing experience in various platforms  
Support to ventures and innovation



Technical, Financial and Sectoral Experience

Strong Capability in Environmental and Social Evaluation

Sound Portfolio Structure

High-Calibre Human Resources and Expertise

Effective Risk Management

Value Creation in Synergy with Subsidiaries

Strategic Approach

Capability of Effective Capital Allocation



## VISION



SECTORAL  
DEVELOPMENTS



AUTHORITIES' REGULATIONS AND  
REGULATORY CHANGES



OTHER  
FACTORS

AND TRANSFORMED INTO VALUE TO SHARE WITH OUR STAKEHOLDERS.

## OUTCOMES

### FINANCIAL CAPITAL

Investment and APEX loans: 78% of the loan book  
17.8% CAR  
16.1% ROTE  
4.2% NIM

### HUMAN CAPITAL

Management staff: female 49%, male 51% ✓  
Total Staff: female 54%, male 46% ✓  
Participation rate for satisfaction survey: 87% ✓  
Turnover ratio\*: 2%  
Average training hours per employee: 39 ✓

### NATURAL CAPITAL

Neutralizing annual carbon footprint of 14.4 million tons ✓  
Share of sustainability-themed loans: 74% ✓  
100% renewable energy usage & zero carbon banking  
BiST Sustainability Index constituent

### INTELLECTUAL CAPITAL

479 TSKB Economic Research publications  
61 advisory projects  
Synergetic collaboration with subsidiaries  
Innovative funding products and new themes  
Sustainability reporting

### SOCIAL CAPITAL

Active participation to working groups of international platforms  
Increasing support to women employment  
The Women Stars of Tomorrow, educational support fund  
875 additional employment via last 3 years APEX loans  
Raising awareness via #Equal Steps, digital platform

\*Turnover ratio among high performance employees

## SUSTAINABLE AND INCLUSIVE DEVELOPMENT

**78%**

Share of investment  
and APEX loans

**54%**

Ratio of female  
employees ✓

**74%**

Share of sustainability  
themed loans ✓

**479**

TSKB Economic  
Research publications

**1.450**

Additional women  
employment



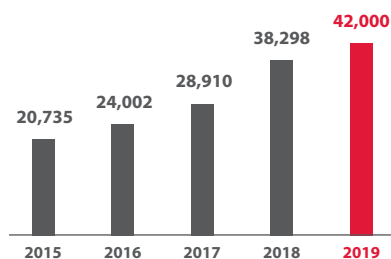
## KEY PERFORMANCE INDICATORS AND RATIOS

KEY INDICATORS (TL million)	2015	2016	2017	2018	2019
Total Assets	20,735	24,002	28,910	38,298	42,000
Loan Portfolio (Gross)	13,735	17,371	22,344	27,935	31,424
Shareholders' Equity	2,489	2,928	3,535	4,719	5,667
Net Profit	407	476	596	661	702

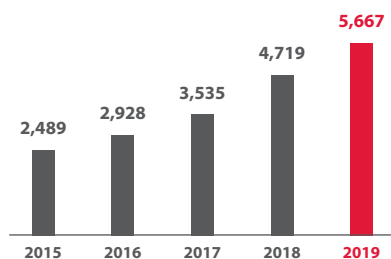
FINANCIAL RATIOS (%)	2015	2016	2017	2018	2019
Return on Tangible Equity*	17.4	17.5	18.8	17.8	16.1
Return on Assets	2.2	2.1	2.3	2.0	1.8
Capital Adequacy Ratio	14.9	14.3	17.1	16.2	17.8

\*Tangible Equity(TE) = Shareholders' equity – MtM valuations of FVOCI portfolio

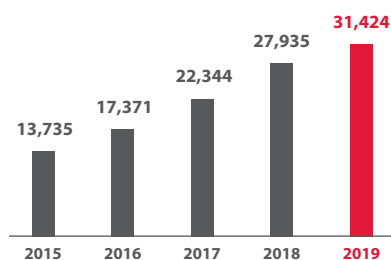
**TOTAL ASSETS**  
(TL million)



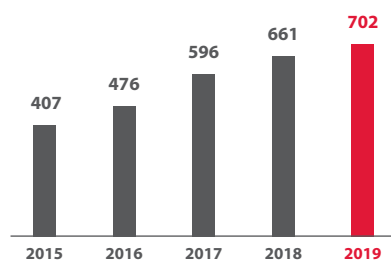
**SHAREHOLDERS' EQUITY**  
(TL million)



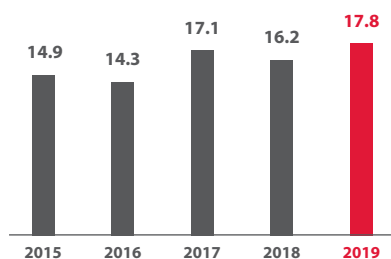
**LOAN PORTFOLIO**  
(TL million)



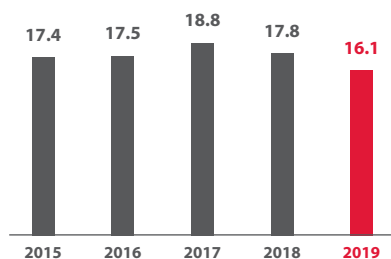
**NET PROFIT**  
(TL million)



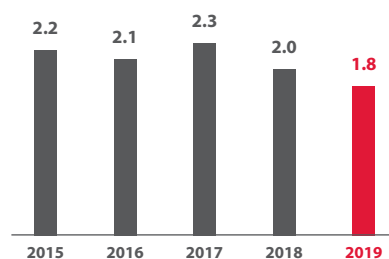
**CAPITAL ADEQUACY RATIO**  
(%)



**RETURN ON TANGIBLE EQUITY**  
(%)



**RETURN ON ASSETS**  
(%)



TSKB AT A GLANCE	STRATEGY, PERFORMANCE AND EXPECTATIONS	CORPORATE GOVERNANCE
ASSURANCE LETTERS AND CERTIFICATES	FINANCIAL STATEMENTS AND NOTES	GRI INDEX

## TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

### CORPORATE BANKING

#### LOAN PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT OF TURKISH ECONOMY

##### Corporate Loans

- Industrial investments
- Energy and resource efficiency
- Environmental investments
- Renewable energy
- Sustainability Investments
- Women's employment
- Occupational health and safety
- Health Sector Investments
- Education Investments
- SME Finance via Wholesale Banking (Apex Loans)
  - SME Finance
  - Export Finance
- Working Capital Finance

##### Project Finance

- Energy Generation and Distribution
- Logistics
- Transportation/Infrastructure
- Public-Private Partnership Projects
- Mergers&acquisitions
- Syndication loans

##### Other Loan Products

- Financial leasing
- ECA loans
- Trade finance loans

### INVESTMENT BANKING

#### PRODUCTS AND SERVICES THAT CREATE TAILOR-MADE VALUE FOR ITS CLIENTS

##### Corporate Finance

- Advisory and intermediary services for equity IPOs
- Intermediary services for bond issues
- Mergers&Acquisitions advisory

##### Money and Capital Markets Advisory Services

- International sale transactions
- Block sale transactions
- Valuation advisory
- Liquidity provision
- Capital Markets Advisory
- Market making services
- Market advisory services

##### Derivatives

- Forwards
- Options
- SWAP Operations
- Caps&Floors
- Swaptions

### ADVISORY SERVICES

#### PRODUCTS AND SERVICES DRIVEN BY "INFORMATION-BASED BANKING"

##### Economic Research

- Macroeconomic Advisory
- Export Strategy and Complexity Atlas
- Sectoral Panorama
- ESG Advisory
- Training Services

##### Financial Advisory Services

- Financial Analysis Services
- Financial Planning and Strategy
- Restructuring Services
- M&A Support Services
- Training Services

##### Engineering and Technical Advisory Services

- Technical Analysis and Due Diligence
- Project Management Advisory
- Operational Excellence
- Environment, Climate, Sustainability
- Energy and Efficiency Advisory



## MILESTONES FROM 1950 TO 2019

### 1950's

Founded with the mission of supporting the development of Turkey's private sector, TSKB has achieved several significant breakthroughs in development and investment banking. These include securing medium- and long-term loans, providing technical support to project sponsors, and conducting preliminary studies for the formation of the capital market in Turkey. During the same period, TSKB was the only bank capable of supplying foreign currency loans needed to finance imports. It was also the only organization handling cash sales of foreign currencies released under the Marshall Plan.

### 1960's

TSKB introduced many innovative practices throughout the 1960s. The Bank issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings.

Moreover, TSKB became the first Turkish company to be audited by an internationally recognized independent auditing firm, thus spearheading an approach to transparency and accountability in capital markets. TSKB provided investment financing for Turkey's leading manufacturing facilities as well as financial support for the local manufacture of numerous products. These included the first Turkish-made buses and automobiles, automotive tires, LPG canisters, high-voltage cables, batteries, cardboard, plastics and acrylic fibers.

### 1970's

In this decade, TSKB began to focus on private sector investments in Turkey's developing regions. The Bank took an important step to diversify its funding resources and obtained the first medium-term syndicated loan from the European market. The Bank also carried out the first issuance of its own long-term bonds during this period. Additionally, TSKB began to provide comprehensive research services for the manufacturing and services sectors.

### 1980's

TSKB continued to provide funding to the private sector, though in a more rapid and effective manner. During this period, TSKB embarked on highly important ventures in international relations. For example, it successfully issued a series of "Samurai bonds" in the Japanese capital markets, further bolstering its brand reputation

in international markets. Establishing close relationships with European and Japanese financial institutions, TSKB significantly increased its funding resources. TSKB also played an active role in the preparation of Turkey's Privatization Master Plan and served as an advisor for the privatization of the state-owned cement plants.

### 1990's

TSKB further expanded its investment banking business while continuing to develop and diversify its cooperation relationships with international banks. TSKB signed long-term foreign currency and interest rate swap agreements with international financial institutions. It also provided consulting services to the European Bank for Reconstruction and Development (EBRD) in Uzbekistan. In addition, the 1990s was a period of successful initial public offerings for TSKB. Leading the establishment of over-the-counter bond and securities markets, the Bank became even more effective after the Istanbul Stock Exchange was established, further solidified its leadership position in capital markets.

### 2000's

TSKB continued working to develop and diversify its international funding resources. During this period, the Bank successfully tapped into international syndication and murabaha markets for the first time. TSKB also began to provide an increasing volume of resources to SMEs through indirect funding in collaboration with commercial banks and leasing companies as part of "APEX Banking" operations. As the concept of sustainability gained prominence globally, TSKB started to design its business processes with a sustainable approach. TSKB became the first Turkish bank to receive ISO 14001 Environmental Management System certification; it also started to offer environment themed loans. During this decade, the Bank laid the groundwork for its social responsibility projects that aimed to raise public awareness about environmental sustainability.

For three years in a row, TSKB won first prize for the Eastern Europe Region at the "Sustainable Banking Awards" program, organized jointly by the Financial Times (FT) and the International Finance Corporation (IFC). In addition, TSKB became Turkey's first carbon-neutral bank. TSKB closely followed and monitored sustainability efforts across the globe. Consequently, it became a member of the United Nations Environment Program Finance Initiative (UNEP FI) and publicly announced its commitment to the UN Global Compact.

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## 2010's

TSKB began to focus on renewable energy and energy efficiency projects in the 2010s, and has played an instrumental role in combatting climate change and meeting Turkey's ever-increasing demand for energy.

After the 2008 global financial crisis, interest rates fell sharply across the world, creating a need for new banking products and services. Thanks to its vast experience in this area, TSKB began to provide clients an array of new, competitive investment instruments, such as capital-protected and guaranteed products. Meanwhile, the Bank continued to add value for its stakeholders by taking on key roles in Turkey's electricity distribution privatizations, asset purchase&sale financing, acquisition financing, bond issues, and public offerings. During this time, TSKB introduced new types of loans under the themes of sustainable tourism and resource efficiency. The Bank continued its operations for resource diversification via Eurobond issues.

Undertaking ongoing initiatives and improvements to ensure full compliance with all applicable international laws and regulations, TSKB is one of three companies to have received awards from the Corporate Governance Association of Turkey (TKYD) every year since 2011 under the Corporate Governance Awards. To date, TSKB has won three first place, two second place, and one third place prizes.

Along with its membership at Long-Term Investors Club (LTIC), TSKB took its place in European Long-Term Investors Association (ELTI). In 2011, TSKB has been one of the funding members of International Development Finance Club (IDFC) as the only member from Turkey, where in 2019 it has become a steering committee member. In 2015, the Bank signed the Climate Change Summit (COP21) declaration of ELTI and IDFC for transition to low-carbon economy.

TSKB was included in the BIST Sustainability Index, which is composed of companies listed on Borsa Istanbul and perform well in terms of sustainability. TSKB shares were included in the FTSE4Good Emerging Markets Index by December 2016.

Reinforcing its leading position in sustainability, TSKB becomes the first Turkish bank to issue a "Green/ Sustainable Bond" on international markets in 2016. Encouraged by the interest shown in this issuance, TSKB breaks a new global ground and issues a Subordinated Sustainable Bond.

Having published the first GRI-approved Sustainability Report in the banking sector, TSKB transposes its trailblazing approach in sustainability to reporting and publishes the first Integrated Report in the private sector in 2017.

Based on its experience in sustainable development, TSKB engages in a key project in 2017 and cooperates with Escarus, a TSKB subsidiary, to coordinate the Turkish Ministry of Development project called "Due Diligence for Turkey Under the UN Sustainable Development Goals".

In 2016, TSKB takes a major step in social inclusion obtaining a special resource to finance investments on occupational health and safety in Turkey in addition to the investments by firms that observe gender equality in working environment and support women's employment.

Opening a new chapter on women's employment within its social responsibility projects for sustainability which it has implemented since early 2000s, TSKB takes key steps to empower the women employees of tomorrow in terms of education and equal opportunities.

In 2018, TSKB secures the largest fund ever in its history. The loan agreement worth USD 400 million signed with the International Bank for Reconstruction and Development (IBRD), a World Bank Group institution, under the Inclusive Access to Finance Project accelerates TSKB's efforts on inclusive finance, a new item added to the Bank's mission.

In 2018, TSKB breaks another new ground. The Bank becomes the first financial institution to secure funds from the Asian Infrastructure Investment Bank (AIIB) for lending to private sector companies. This fund will be used to extend more loans to renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunications investments by the private sector throughout Turkey. TSKB obtains the first loan to be provided to Turkey by the China Development Bank under the guarantee of the Ministry of Treasury and Finance. TSKB restructures Advisory and Investment Banking service models, while successfully continues its social responsibility projects in the fields of inclusiveness and equality in opportunity.

The Bank defines its consultancy solutions as "products of collective wisdom" to offer the business world as well as investors an increasing range of value-added services. TSKB successfully completes 63 consultancy projects in more than 20 sectors in 2018.

In 2019 TSKB becomes one of the Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI).

# FIRSTS&INNOVATIONS

## 1950's

- Provide technical advisory services to project sponsors
- Provide medium- and long-term finance to private sector projects

## 1960's

- Underwrite and guarantee corporate bond issues
- Offer its mature bonds from its investment portfolio to public
- Issue its own long-term bonds
- Have its records audited by an independent audit company

## 1970's

- Promote private investment incentive in under-developed regions
- Mobilize funds through medium-term syndicated loans from European markets
- Undertake major sector research services for manufacturing and service sectors

## 1980's

- Issue its own bonds in international capital markets
- Conduct manufacturer surveys among various sectors
- Provide export insurance loans from European and Japanese financial institutions
- Offer advisory services in textile and other sectors in cooperation with international advisors
- Offer advisory services for the privatization of public cement factories
- Issue its short-term bonds as well as guarantee and market those of its clients
- Prepare Turkey's first privatization master plan
- Realize the first public offering as an underwriter
- Intermediary in the investment of Islamic Development Bank funds in companies as shareholders

## 1990's

- Sign long-term foreign currency and interest swap agreements with international banks
- Provide floating-rate medium-term Turkish Lira loans to the banking sector
- Provide consulting services for ERBD in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertake a voluntary "Risk Management Review" supported by World Bank

## 2000's

- Extend a credit line specifically for a "sustainable environment"
- First bank to establish a real estate appraisal company approved by Capital Markets Board of Turkey
- Provide secretariat services to the Istanbul Approach
- Develop a risk-based loan pricing model
- First Turkish bank to receive a loan from the French Development Agency
- First and only Turkish bank to become a shareholder of European Investment Fund (EIF)
- First Turkish bank having ISO14001 Certificate
- First Turkish bank to calculate and offset its carbon footprint
- First and only Turkish bank which was awarded "Sustainable Bank of the Year of Eastern Europe Region" in 3 consecutive years between 2008-2010 in the event organized by Financial Times and International Finance Corporation
- First web portal designed under environment and sustainability themes

## 2010's

- UNEP FI and Global Compact membership
- First and only Turkish bank to be granted a membership in Long-Term Investors' Club (LTIC)
- First and only Turkish supervisor member in European Long-Term Investors Association (ELTI)
- Issue 16 thematic mutual funds between 2009 and 2012
- Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey
- First Turkish Bank to be qualified for ISO14064-1 Greenhouse Gas Verification Certificate
- Restricted mudaraba loan facility with Islamic Development Bank to finance renewable energy and energy efficiency projects
- Become the founder member of International Development Finance Club (IDFC)
- First loan agreement with KfW without any government guarantee
- The first A+ level Sustainability Report approved by GRI (Global Reporting Initiative) in the sector
- The "first carbon-neutral concert" within the scope of the İKSV Istanbul Music Festival
- Support for IDFC (International Development Finance Club)'s climate pledge
- Assistance for ELTI (European Long-Term Investors Association)'s transition to low carbon economy pledge
- Establishment of TSKB Sustainability Committee
- Offsetting individual carbon footprints of corporate stakeholders
- First green/sustainable bond of Turkey
- The world's first "Subordinated Sustainable Bond"
- The first Integrated Report in Turkish private sector
- Scholarship fund "Empower Through Education" for women employees of future
- Music education support project "Woman Stars of Tomorrow"
- First financial institution securing loan facility from Asian Infrastructure Investment Bank (AIIB) targeting private sector investments
- "Equal Steps", equal opportunity digital platform that emphasizes the importance of equality between women and men in business life
- Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI)
- First loan to be provided to Turkey by the China Development Bank under the guarantee of the Ministry of Treasury and Finance
- 10<sup>th</sup> member of the Steering Committee of the IDFC



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## AWARDS&ACHIEVEMENTS

### BANKING AWARDS

Investing&Financing Category Finalist (2019) <b>Finance for the Future</b>
Energy Finance Deal of the Year (2019) <b>Bonds&amp;Loans Türkiye</b>
M&A/Acquisition Finance - Second place (2019) <b>Bonds&amp;Loans Türkiye</b>
Structured Loan Deal - Third place (2019) <b>Bonds&amp;Loans Türkiye</b>
Low Carbon Hero of the Year (2019) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Project Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
M&A/Acquisition Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Structured Loan Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Natural Resources Finance Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Syndicated Loan Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Bond Deal of the Year (2018) <b>Bonds&amp;Loans Türkiye</b>
Best Syndicated Loan in Central and Eastern Europe Tredaş (2017) <b>EMEA Finance</b>
Best Syndicated Loan in Central and Eastern Europe Aksa Natural Gas Distribution and Kazancı Holding (2017) <b>EMEA Finance</b>
Best Infrastructure Deal Galataport (2017) <b>EMEA Finance</b>
Best Privatization Deal in the Middle East and Africa Galataport (2017) <b>EMEA Finance</b>

### CORPORATE GOVERNANCE AWARDS

Women Empowered Boards Special Award (2018) <b>Sabancı University Corporate Governance Forum</b>
Company with the Second Highest Corporate Governance Rating Score (2015) <b>Turkey Corporate Governance Association (TKYD)</b>
Highest Score in Multi-Stakeholder Approach For Transparency in Corporate Reporting (2015) <b>Transparency International Turkey</b>
Company with the Highest Corporate Governance Rating Score (2011, 2013, 2014) <b>Turkey Corporate Governance Association (TKYD)</b>
Honor Award for Best Annual Report - Print Category (2011) <b>Stevie Business Awards</b>

Syndicated Loan Deal of the Year (2017) <b>Bonds&amp;Loans Türkiye</b>
Transport Finance Deal of the Year (Runner-Up) (2017) <b>Bonds&amp;Loans Türkiye</b>
Best Infrastructure Project Kızıldere 3 Geothermal (2016) <b>EMEA Finance</b>
Best National Resource Project Finance Yeniköy Kemerköy (2015) <b>Bonds, Loans&amp;Sukuk Turkey</b>
Best-Structured Finance Project/Etlik PPP (2015) <b>Bonds, Loans&amp;Sukuk Turkey</b>
Best Energy Infrastructure Deal in Europe (2011) <b>Euromoney</b>
Best Hydroelectric Project in Europe (2011) <b>Euromoney</b>
Best Equity House (2011) <b>EMEA Finance</b>
Best Clean Technology and New Energy Investor (2011) <b>The New Economy Dergisi</b>
En İyi Aracılık Ödülü (2011) <b>EMEA Finance</b>
Temiz Teknoloji ve Yeni Enerji Alanında En İyi Yatırımcı (2011) <b>The New Economy Dergisi</b>

### SUSTAINABILITY AWARDS

Best Green Bond in Central and Eastern Europe (2017) <b>EMEA Finance</b>
Structured Finance Deal of the Year (Winner) (2017) <b>Bonds&amp;Loans Türkiye</b>
International Bond Deal of the Year (2017) <b>Bonds&amp;Loans Türkiye</b>
Sustainable Bond Issuance of the Year (2016) <b>IFR</b>
Green/Sustainable Bond Issuance of the Year (2016) <b>Global Capital</b>
Low Carbon Hero (2016) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Low Carbon Hero (2015) <b>Sustainable Production and Consumption Association (Süt-D)</b>
Climate Disclosure Leadership (2015) <b>CDP</b>
Climate Change Leadership (2013) <b>CDP Türkiye</b>
One of the Top Three Banks in Sustainable Banking in Europe (2011, 2013) <b>FT&amp;IFC</b>
Bronze Award -Sustainability Report Category (2012) <b>Astrid Awards</b>
Supporter of Sustainable Eco-Friendly Products and Practices (2010) <b>Istanbul Chamber of Industry (ISO)</b>
Sustainable Bank of the Year in Eastern Europe (2008, 2009, 2010) <b>FT&amp;IFC</b>

## CHAIRMAN'S MESSAGE



“ TSKB, which will proudly celebrate its 70<sup>th</sup> anniversary this year, delivered a successful performance in 2019.

Esteemed Stakeholders,

### A YEAR SHAPED BY GLOBAL TRADE AND GEOPOLITICAL DEVELOPMENTS

The rise of protectionist policies in global trade and geopolitical developments were among the issues shaping the global economic outlook of 2019. In addition to these factors; weak demand conditions, subdued commodity prices and relatively low inflation patterns paved the way for expansionary monetary policies by leading central banks around the world. While the Fed lowered its policy rate on three occasions, the ECB not only cut its interest rates but also resumed asset purchases in 2019. Simultaneously, the central banks of many developing countries also took decisions to lower interest rates.

Global liquidity conditions, which are expected to remain abundant for longer in light of expansionary monetary policies, continue to support capital flows to developing countries, where economic indicators have remained relatively stagnant recently.

The Stage 1 Trade Agreement between the U.S. and China, signed at the beginning of 2020, is expected to help ease the pressure driven by the protectionist policies on the global economy.

### TURKISH ECONOMY RETURNS TO GROWTH IN THE SECOND HALF OF 2019

Having lost momentum after August 2018, the Turkish economy has entered in to a growth path again starting from the third quarter of 2019.

Throughout the year, the financial markets were rebalanced by policies and effective regulations implemented with a proactive approach by the regulatory authorities. Simultaneously, it was also observed that all economic actors took synchronous and collaborative steps to eliminate the effects of the fluctuations of 2018. Strengthening the financial stability, these steps ensured the successful completion of rebalancing process, also becoming a significant factor in the re-entering the growth pattern of the Turkish economy.

### A YEAR OF REASSURANCE FOR THE TURKISH BANKING SECTOR

The banking sector has rapidly adapted to the BRSA's guiding regulations, taking steps to eliminate uncertainties regarding non-performing loans. These steps were important in terms of strengthening the confidence of both the domestic and international investors.

While the majority of the loans under close classification was restructured, there has been an increase in the predictability of the sector. As the Turkish economy converges with its growth potential in 2020, I believe the banking sector will enter a healthy growth process.

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## TSKB, WHICH WILL CELEBRATE ITS 70<sup>TH</sup> YEAR, IS PREPARED FOR THE FUTURE.

TSKB, which will proudly celebrate its 70<sup>th</sup> anniversary this year, delivered a successful performance in 2019. The Bank also significantly increased its total efficiency on the back of the restructuring efforts it has recently implemented, preparing itself even more innovatively for the future in each respective business line.

With its 70 years of experience and know-how in the field of development and investment banking, a competent human resource structure, the advantages of its scale and the approach to service which it has built on the basis of "Information Banking", TSKB will continue provide a strong contribution to the sustainable growth of Turkey's economy in the corporate banking, investment banking and advisory services business lines, will improve shareholder value and, finally, will create value for its stakeholders.

## SUSTAINABILITY REMAINS AN UNWAVERING BENCHMARK FOR US

TSKB, which is Turkey's first private development and investment bank, has become a pioneering institution not just for sustainability but also the inclusiveness in the country underpinned by its systematic studies, ground breaking moves and success over the last 25 years in the field of sustainability. As an active participant of international initiatives, the Bank is in the process of moving its impact and contribution to a global scale.

With sustainability themed loans accounting for 74% of the total loan portfolio, TSKB will continue to be the pioneer and guide of sustainability and inclusiveness.

## THE TURKISH ECONOMY WILL STRENGTHEN FURTHER AS ECONOMIC ACTORS ADOPT SUSTAINABILITY

During times of economic volatility, companies' competence and resilience are often tested. The recent periods, marked by fragile geopolitical environment and economic volatility, have once again demonstrated the importance and indispensability of sustainability in all of its aspects.

Through transformation, companies need to exert a strong presence and improve their resiliencies in many fields from financial planning to corporate governance. As long as this transformation takes place, the sustainable development of the Turkish economy and the contribution to social welfare will improve further, in

addition to enhancing Turkey's competitive edge in the international arena.

In the coming period, we believe the environmental and social interactions of sustainability will become more widespread and deeply felt within the dynamics of social and economic life. As the awareness for environmental, social and governance principles increases in the society, companies will feel more pressure from individuals to improve their sustainability practices and further maximize their sustainability efforts driven by their own ecosystems, as well as independent scorings, declarations and reporting requirements.

With the support of its financial structure shaped under a long term approach, and backed by its strong and trustworthy practices in lending activities, its clout in development banking and its investment and advisory banking services with a focus on "Knowledge-based Banking", TSKB will continue to bring companies closer to sustainability and contribute to their development.

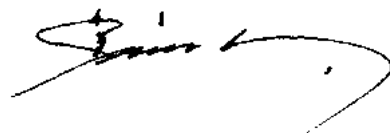
## TO THE FUTURE WITH AN "INTEGRATED" PERSPECTIVE

In today's world, where sustainability has become one of the milestones of the new norms, TSKB is always ready to contribute and guide our country, our industry and our stakeholders, and to be a pioneer of development, by allocating all the capital assets it has in the most efficient and effective way. The experience we have built during our sustainability journey, our mission focused on "inclusiveness" in recent years, and the integrated perspective which we have adopted, provide us the necessary energy, while our competent teams allow us to manage our business with the right approach.

Believing in collaboration, value creation and sharing this value with society, TSKB will continue to fulfil its mission.

On behalf of myself and our Board of Directors, I would like to thank our team, who produced this distinguished performance in 2019.

Regards,



**H. ERSİN ÖZİNCE**  
Chairman



## CEO'S ASSESSMENT



“ TSKB allocated US\$ 1.4 billion of loans and non cash loans to Turkish economy in 2019.

Esteemed Stakeholders,

**WHILE THE SEARCH FOR DIRECTION IN THE GLOBAL ECONOMY CONTINUES, THE REBALANCING PROCESS IN TURKEY HAS BEEN COMPLETED.**

The year 2019 was marked by continued fluctuations in the global financial markets, while the global macroeconomic outlook remained relatively weak.

In this conjuncture, accompanied by periodic increases in vulnerability driven by geopolitical risks, the Turkish economy successfully completed its rebalancing process. While the subdued domestic demand conditions and relatively stable course of TL reflected positively to the inflation figures, the rate of CPI inflation, which had risen to 20% during 2019, ended the year at 11.84%. On the other hand, the Central Bank of Turkey gradually lowered its policy rate from 24% to 12%, taking the market dynamics into account. Turkish economy returned to a path of growth by the third quarter of the year. We forecast that the Turkish economy will record growth of around 4%, with inflation on course to be around 10% in 2020.

The banking sector continued to support the real economy in 2019. The total lending volume of the sector surged by around 7% on fx adjusted basis. While the growth outlook of banking assets remained stagnant, the activities in the banking industry were mainly focused on maintaining its liquidity position and asset quality to support sustainable growth.

**TSKB CONTINUED TO OPERATE WITH ITS CAREFULLY CALIBRATED RISK ASSESSMENT APPROACH, LIQUIDITY POSITION AND STRONG CAPITAL FOCUS DURING THE EXCEPTIONAL CONDITIONS OF 2019.**

With its corporate banking, investment banking and advisory services, TSKB continued to provide a multi-faceted contribution to Turkey's development and growth as well as enhancing the value it created to the economy throughout the year.

In 2019, the Bank's total contribution to Turkish economy was realized at US\$ 1.4 billion through cash and non-cash loans. Total cash loans reached TL 31.4 billion while TSKB's total asset size grew by 10% to TL 42 billion during the same period. In terms of profitability, TSKB performed in line with its 2019 targets, posting earnings before provisions and taxes of TL 1.3 billion in 2019 and net earnings of TL 702 million.

Supported by its profitability, shareholders' equity increased to TL 5.7 billion, implying a 20% increase. By the end of the year, the Bank's capital adequacy ratio stood at 17.8%, well above the level set by the regulatory authority.

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## A YEAR WHERE THE LOAN RESTRUCTURING PROCESS LARGELY COMPLETED

2019 prompted the banking sector to review loan portfolios and increasingly embody its support to the macro-economy and real sector through restructuring.

Banks which have a fundamental role in the healthy functioning of the markets provided a lifeline of support to companies following the rebalancing, by fulfilling the requirements of their mission to support the real sector under all conditions.

In 2019, the banking sector largely completed the restructuring process of non-performing loans, and the measures taken by the BRSA within this context had a positive contribution on transparency. As of December 2019, TSKB's NPL ratio stood at 3.5% - significantly lower than the sector average of 5.3%.

## TSKB CONTINUED TO CREATE ADD-VALUE IN 2019 ON THE BASIS OF SUSTAINABLE AND INCLUSIVE DEVELOPMENT

In 2019, we continued our lending activities in line with our commitments and our strong risk assessment approach, which is unique to the Bank.

Throughout the year, our new loan allocations mainly focused on renewable energy, energy and resource efficiency investments, as well as projects where social themes are prominent such as women's empowerment and projects which support employment in underdeveloped regions affected by refugee inflow. In this context, another issue I want to stress is that we have continued our lending activities at the same pace even when the market followed a relatively stagnant course in the first half of 2019, maintaining our support, without interruption, for projects which we find feasible.

We anticipate that the revival in loan demand, which has been observed since the last quarter of 2019, will become more evident both on the corporate and the consumer side in 2020. Accordingly, we expect the sector's loan growth in 2020 to gain momentum compared to the previous year.

In 2020, TSKB will continue to support Turkish economy, the real sector and its stakeholders under any circumstances, with its qualified financing options, investment banking operations and wide-reaching advisory services, as it always has throughout its 70 year history.

## WITH SUSTAINABLE FINANCING HAVING A 74% SHARE OF ITS TOTAL LOAN PORTFOLIO, TSKB HAS DECOUPLED POSITIVELY WITHIN THE SECTOR.

Climate change is the number one issue threatening the future of humanity, according to all recently published risk studies. Global warming and the unstable weather events which we are frequently observing clearly indicate that climate change is happening at a great pace. However, the global business community and ourselves as individuals have been relatively slower to grasp the problem and increase our perception in taking action to tackle climate change. Governments, the science community and the academic world, supranational initiatives, non-governmental organizations and the business world have to come together quickly and take action to ensure the sustainability of a world where future generations can live.

Within the context of its institutional structure, scale, competencies and collaborations, TSKB is proud to be a bank which adopts sustainability from opinion to strategy and execution - in other words, from end to end, and reflects it into all elements of its unique business model.

Our sustainability journey, which was institutionalized in the early 2000s, has brought us to the strong position we are in today.

TSKB has succeeded in becoming a role model in its sector thanks to decoupling with its high performance in the field of sustainability. In this process, TSKB having long lasting relationship with DFIs has further developed active collaborations with many international initiatives and organizations, carrying its sustainable banking capacity and competencies to international standards.

Contributing to the United Nations Sustainable Development Goals (SDG) as part of its integrated development approach, in 2019 TSKB continued to increase its effectiveness in the International Development Finance Club (IDFC); of which it is a founding member and in which the world's leading development banks participate. TSKB joined the IDFC Management Committee as the 10<sup>th</sup> member. Compatibility with the Paris Climate Accord and the SDGs are among the IDFC's current priorities. TSKB will continue to be influential and increase its contribution in both fields, domestically and internationally.

## CEO'S ASSESSMENT

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US\$ **500** million  
TSKB secured USD 500 million of resources in 2019

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Another major development of 2019 for TSKB was its participation in the UNEP FI Principles For Responsible Banking as a founder signatory. Designating the functions and responsibilities of the banking industry for building the sustainable future, these principles are aimed at ensuring the sector's compliance with the SDGs and the Paris Climate Change Accord.

Spending dedicated efforts on Turkey's sustainable development since its foundation, TSKB undertakes all of its activities within the framework of globally accepted sustainability principles. We fully believe that the UNEP FI Principles For Responsible Banking will strengthen our commitments in this field and bring a different dimension.

Approximately three quarters of our Bank's total loan portfolio consists of different sustainability and inclusive financing themed loans directed to areas such as renewable energy, energy and resource efficiency, environmental investments, women's employment, occupational health and safety, and supporting investments in the underdeveloped regions.

In TSKB's point of view, every project funded is a cornerstone that contributes to the national development and global sustainability, beyond being a mere banking transaction.

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US\$ **400** million  
TSKB issued sector's first Eurobond of 2020

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Designating all of its goals and decisions with an integrated perspective on the focus of sustainability, the Bank contributes to the SDGs not only with its services offered in lending and advisory segments, but also through in-house sustainability implementations, supporting Turkey's transition to a low carbon economy.

### **SUSTAINABLE COOPERATION WITH INTERNATIONAL FUNDING SOURCES**

Having strong and traditional bonds with international finance institutions, TSKB secured USD 500 million of resources in 2019 mostly in the medium to long term within the context of resource development efforts.

Having signed a syndication loan agreement on June 10<sup>th</sup>, 2019 with the participation of 12 banks, TSKB secured USD 177 million in funding from international markets. The second major funding activity was realized with the China Development Bank (CDB). TSKB secured a USD 200 million loan from the CDB under the guarantee of The Ministry of Finance and Treasury. Having become the first guaranteed long term funding given from the CDB to Turkey, this loan will be used to support industrial production, SMEs, energy, infrastructure, health and education projects.

Another loan agreement was signed with the French Development Agency (AFD), with which TSKB is in long term cooperation within the framework of sustainability. USD 85 million of funding secured from the AFD will be utilised to finance investments undertaken by companies which support gender equality and female employment in the working environment.



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TSKB signed a risk sharing agreement with the EBRD to provide EUR 100 million of funding to the private sector. This project is the EBRD's only risk sharing cooperation initiated in Turkey which envisages the two banks working together to allocate investment and working capital loans to companies operating in Turkey based on the equal sharing of risk.

### A SUCCESSFUL RETURN TO THE EUROBOND MARKET

As this report was in the process of preparation, TSKB successfully undersigned sector's first Eurobond issuance of 2020. This transaction which amounted to USD 400 million with 5 years maturity and fixed interest rate was ten times oversubscribed attracting demand from approximately 300 investors from different regions on a global scale, 45% of which are new investors. This development is a sign of trust in our value proposition.

We believe this strong demand also supports our anticipation that 2020 will be full of positive prospects for our country and the Turkish banking sector, as we once again thank all of our international stakeholders for their trust to TSKB and its story.

### TO THE FUTURE WITH MORE VIGOROUS STRUCTURE IN OUR 70<sup>TH</sup> YEAR...

2020 will have unique prominence for us, thanks to being TSKB's 70<sup>th</sup> year.

We have recently undertaken significant structuring, development and transformation projects in our organizational structure and business model, especially in the field of advisory. By interpreting the expertise and experience we have accumulated over 70 years from a new and vigorous point of view, we aim to offer an increasing number of services to the Turkish public and private sector for sustainable development.

In line with the responsibility defined in our founding mission, we have transformed the competencies we have gained in our country's development journey since 1950, taking the requirements of the time period into

account, and respond to the expectations of our rapidly expanding customer group to the highest level.

With our Corporate Banking, Investment Banking and Advisory Services segments, we are determined to contribute to the investment and development journeys of the business world with a more focused perspective and to increase our effectiveness in these areas.

As a development bank we will continue to expand our contribution to a producing economy with the social responsibility projects we undertake; to support the society we live in, the women, men, and young people who will carry us to the future, the air we breathe, our natural resources, our cultural riches, our artists and all of our values which we wish to sustain.

Our most vital asset in the journey we have successfully carried out for 70 years has always been our qualified human capital. In our view, investment in people means investing in success and the future. And, we are well aware that the competition can only be won by hosting the most competent human capital.

TSKB will continue to allocate its capital arrays in an efficient and effective way to maintain its sustainable contribution to Turkish economy, as well as to leave a liveable world heritage for future generations.

I would like to thank all the members of the large TSKB family which I sincerely believe will carry our bank forward to many more successful years, and our stakeholders with whom we have created value for our country, and I express my gratitude to our Board of Directors for their support and valuable strategic guidance.

Best regards,



**SUAT İNCE**  
Board Member and CEO





## STRATEGY, PERFORMANCE AND EXPECTATIONS

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- 70 Natural Capital
- 88 Intellectual Capital
- 98 Social Capital



Strong value creation capability in short, medium and long term periods



Deep rooted relationships with development finance institutions



Contribution to Turkey's transition to low carbon economy and combat with climate change



Strong synergy of affiliates elevating the value created



## STRATEGIC PLAN

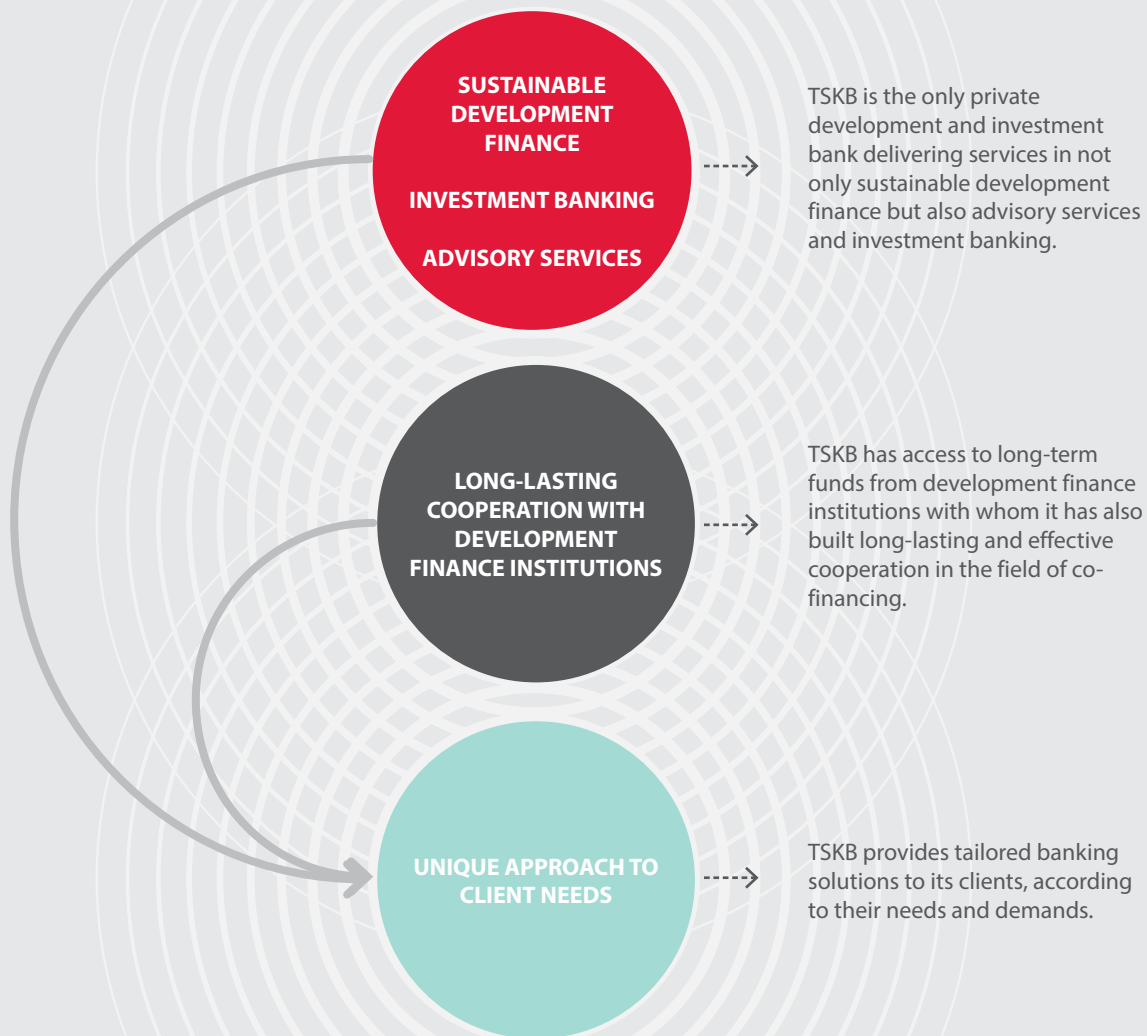
### TSKB'S STRATEGY

#### CREATING VALUE FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

TSKB is the only private development and investment bank in Turkey. TSKB offers corporate banking, investment banking and advisory services with high added value to become a preferred business partner, its stakeholders first consult for the economic, environmental and social development of Turkey.

#### HOW TSKB DIFFERENTIATES ITSELF IN THE COMPETITION?

TSKB has three main elements that differentiates itself in the competition and considers these as drivers on its way to fulfilling its strategic goals.





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TSKB takes stakeholder priorities and expectations in the process of determining the focus areas. TSKB determines its focus areas and corporate priorities by considering the needs and demands of the stakeholders.

This approach turns into a strategy that enables the Bank to offer products and services that are compatible with the dynamics and client expectations of the market.

### TSKB'S FOCUS AREAS

<p>Developing various themes in line with Turkey's development plan and extending relevant funds</p> <p>Supporting Sustainable Development Goals with Corporate Banking, Investment Banking and Advisory services</p> <p>Closely monitoring environmental and social impacts from project finance</p> <p>Strong corporate governance and efficient risk management</p> <p>Strengthening international cooperation and developing new cooperation opportunities</p> <p>Producing and offering advisory solutions powered by well-established technical, financial and sectoral experience</p> <p>Maintaining synergistic cooperation with group companies</p> <p>Conserving the robust financial structure and a healthy asset quality</p> <p>Retaining high-calibre human capital</p>
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TSKB takes its objectives, competences, strategic goals and market conditions into consideration while planning the future. At the same time, the Bank evaluates its current and future funding needs within the scope of the capitals model and pays utmost care to ensure its strategies and funds which are blended at the right scale in its executive plans.

### ABOUT THE FUTURE

<p>TSKB continues its journey in line with its strategic focuses on:</p> <ol style="list-style-type: none"> <li>1- A healthy balance sheet growth</li> <li>2- A robust capital structure</li> <li>3- High efficiency</li> <li>4- Sustainable profitability</li> <li>5 - Market ve stakeholder expectations</li> </ol> <p>As TSKB moves into the future, it continues to invest in competences that will enable it to remain strong and competitive. To that end, the Bank will continue to develop new strategic cooperation ventures and invest in human capital.</p>
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The compatibility of stakeholder priorities and TSKB strategy is discussed in the Stakeholders and Materiality Analysis section on page 27 of the report.

# STRATEGIC PLAN

## STAKEHOLDERS AND MATERIALITY ANALYSIS

### STAKEHOLDER COMMUNICATION

As Turkey's only private development and investment bank, TSKB's primary stakeholders and issues are also differentiated within the framework of its strategy of creating value for inclusive and sustainable development.

TSKB has sustainable and effective communication and interaction with its stakeholder groups. The Bank communicates with its stakeholders through different platforms. As a result of its long-term business model and deep-rooted relations with international development finance institutions and financial institutions, TSKB's key stakeholder groups do not show significant changes from year to year.

Attaching tremendous importance to maintaining a sustainable dialogue with its stakeholders, TSKB benefits from the feedback it receives as a valuable and guiding input in many subjects and fields such as;

- Determining strategic priorities,
- Creation of policies,
- Development of social responsibility projects

### TSKB'S STAKEHOLDERS

- Shareholders
- Clients
- Financial institutions
- Subsidiaries
- Employees
- The Banking sector
- Regulatory Authorities
- The Media
- NGO's
- Universities
- Suppliers

### STAKEHOLDER ANALYSIS

Reflecting the integrated perspective on its strategy and all business processes, it's important for TSKB to identify and determine the material issues in line with the expectations of its stakeholders.

Contacting all stakeholder groups within the scope of its operation cycle, TSKB regularly conducts extensive stakeholder analyses to align its strategic and material issues with the views of its stakeholders

and to share information on stakeholder priorities in its reporting process. Preferably, the Bank repeats its stakeholder analysis every other year, considering its long-term strategy and business model, combining the developments that took place within the year and additional stakeholder views as complementary inputs in the conducted stakeholder analysis study. The results of the stakeholder analysis study forms the basis of the Bank's integrated reporting activities.

Issues to be reported in this integrated report was determined based on the stakeholder analysis conducted in the last 2 months of 2018.

During the study, unlike the Bank's previous stakeholder analysis, qualitative research methods were used for the first time in addition to quantitative analysis methods.

For the stakeholder analysis study, sample groups were identified from stakeholder groups and face-to-face interviews were conducted with these groups. During face-to-face interviews, questions were asked about stakeholders' perceptions and attitudes regarding TSKB. These questions also helped to understand their personal motivation and priorities.

The quantitative research phase of the stakeholder analysis was conducted through a questionnaire survey that included questions to analyse stakeholders' perceptions of TSKB and their views on sustainability priorities. The questionnaire was sent out digitally to a sample group representing the TSKB stakeholder universe.

As a result of the study, findings of quantitative and qualitative research were evaluated and analysed together. In the light of the findings of the analysis, face-to-face interviews were conducted with TSKB Management. As a result of this evaluation, material issues of the stakeholders and TSKB Management were assessed together and the Bank's strategy, external and internal stakeholder expectations were weighted to construct a material issues matrix.

Following up on this matrix, materiality list was prepared outlining stakeholder expectations.

## RESULTS AND EVALUATION OF THE MATERIALITY ANALYSIS

The identified priorities and materiality matrix of the TSKB management and all stakeholders as a result of the stakeholder analysis study are presented on the following page.

The Materiality Analysis underlines that TSKB is taking into account the perspectives of sustainability and responsible banking to contemplate with the qualified development of the country, growing in harmony with all stakeholders

### PRIMARY MATERIAL ISSUES

(For TSKB and other stakeholders)

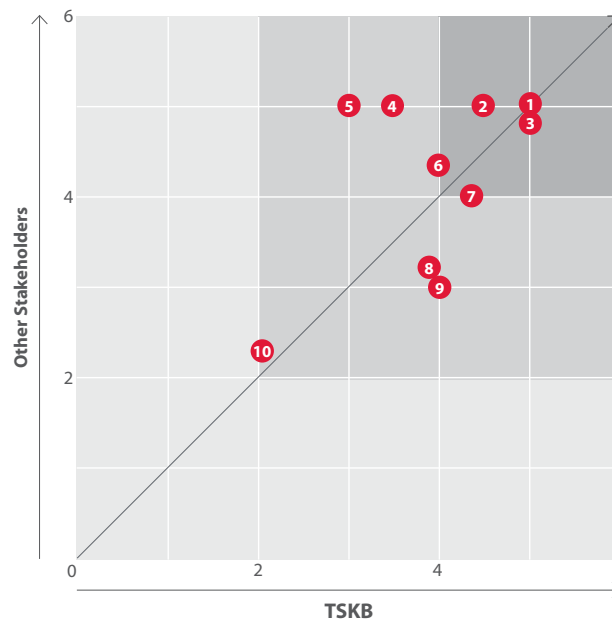
- 1 Supporting employee "learning curve" development
- 2 Developing projects on maintaining and improving the Bank's financial performance
- 3 Supporting the financing of combat and adaptation to climate change
- 6 Effective risk management
- 7 Full compliance with corporate governance principles

### MODERATE MATERIAL ISSUES

(For TSKB and other stakeholders)

- 4 Managing the environmental and social impacts of the Bank
- 5 Producing development-oriented projects
- 8 Supporting employment
- 9 Supporting financing of women's empowerment
- 10 Strengthening relations with international fund providers

Note: Considering that it is more accurate to evaluate both the financing of combat against climate change and the financing of climate change adaptation which are both prioritized by the TSKB Management and all stakeholders, these two items are gathered under a single heading in the matrix.



## STRATEGIC PLAN

### STAKEHOLDERS AND MATERIALITY ANALYSIS

According to results of the Stakeholder Analysis for both TSKB and its stakeholders;

- Supporting employee development (1),
- Maintaining and improving Bank's financial performance (2),
- Supporting the financing of the combat against and adaptation to climate change (3),
- Effective risk management (6),
- Full compliance with corporate governance principles (7)

stand out as the key material issues. These results are fully in line with TSKB's mission, core objectives and strategies. In addition to its mission of providing a lasting contribution to Turkey's economic development, the recently adopted understanding of sustainable banking and related sub-themes are clearly featured within the Bank's priorities, activities and objectives.

The key priorities of the Bank's management, which considers human resources as the building block of its successful and sustainable performance, are to increase employee satisfaction through investment in human resources and training and to enable the development of its employees.

In parallel with TSKB's contribution to the Turkish economy, developing projects to protect and improve the Bank's performance is one of Bank's main priorities. The Bank unwaveringly continues its efforts in this area.

The survey also emphasizes the importance of full compliance with corporate governance principles, a major area in sustainable banking, and underlines once again the importance of TSKB's policy and practices based on fair, transparent, accountable and responsible banking principles.

In line with the focus of financing sustainable development, TSKB is taking concrete steps towards the priority of combatting climate change and adaptation financing through its renewable energy, energy and resource efficiency projects. It aims to increase the support it extends to efforts to combat climate change by developing new products in this regard in the coming period.

In the stakeholder analysis, medium material issues for TSKB and stakeholders were identified as;

- Managing the environmental and social impacts of the Bank (4),
- Supporting employment (8),
- Supporting financing for women's empowerment (9),

In line with its focus on financing sustainable development, TSKB has taken concrete steps towards financing efforts towards combatting and adaptation to climate change through its renewable energy, energy and resource efficiency projects.

- Producing development-oriented projects (5)
- Strengthening relations with international fund providers. (10)

Management of environmental and social impacts arising from both the financing of development projects and Bank's activities is among the priorities. In today's world, risk management requires effective management of not only financial risks but also all economic, environmental and social risks, which are among non-financial risks. In this regard, TSKB constantly measures and monitors its performance with its sustainability management system and environmental social risk management practices utilized for the Bank's lending processes.

The concept of financing sustainable development covers not only environmental issues but also social issues. Accordingly, TSKB continues its financing activities to support employment and women's empowerment. The Bank also actively manages its communication with international fund providers simultaneously to develop new themes in these areas. In line with its mission, TSKB will continue to support projects to promote Turkey's development through three core services, including development banking, investment banking and advisory services.

Bank's continuous access to long-term resources from development finance institutions is essential in terms of sustainability and TSKB's business model, as well as the value it creates. TSKB follows an approach to widen the diversity of resources and effective cooperation with these institutions along with international finance institutions while identifying its material issues and developing its strategy in light of these issues.



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## THE RELATIONSHIP BETWEEN MATERIAL ISSUES AND TSKB'S STRATEGY

TSKB uses the results of stakeholder materiality analysis as an input when determining its strategy. When the results of the materiality analysis are examined, it is seen that each of them coincides with TSKB's focus areas and are indeed complementary to each other.

Materiality Analysis Results	Related TSKB Focus Areas
Providing employees with development opportunities	Maintaining well-skilled human resources
Developing projects on maintaining and improving the Bank's financial performance	Maintaining a strong financial structure and healthy asset quality
	Development of different themes, especially renewable energy, and providing funding in line with Turkey's development plan
Supporting the financing of the combat against and adaptation to climate change	Financing projects that will support the SDGs*
	Providing advisory solutions based on deeply rooted technical, financial and sectoral experience
	Developing innovative products
Managing Bank's environmental and social impacts	Closely monitoring the environmental and social impacts that arise during the financing of projects
Producing development-oriented projects	Financing projects that will support the SDGs
	Developing innovative products
Efficient risk management	Strong Corporate Governance and Effective Risk Management
Full compliance with corporate governance principles	Strong Corporate Governance and Effective Risk Management
Supporting employment	Development of different themes and providing funding in line with Turkey's development plan
	Financing projects that will support the SDGs
Supporting financing for women's empowerment	Development of different themes in line with Turkey's development plan and resource provision
	Financing projects that will support the SDGs
Strengthening relations with international fund providers	Strengthening international collaborations and increasing new collaborations and funding diversity in terms of financing themes, product types and geographies



The list of all topics in the stakeholder analysis survey can be viewed on page 35 of TSKB 2018 Integrated Annual Report.  
[http://www.tskb.com.tr/i/content/3483\\_1\\_TSKB\\_2018\\_EFR.pdf](http://www.tskb.com.tr/i/content/3483_1_TSKB_2018_EFR.pdf)

\*Sustainable Development Goals

## STRATEGIC PLAN

### STAKEHOLDERS AND MATERIALITY ANALYSIS

#### REFLECTION OF MATERIAL ISSUES IN THE INTEGRATED REPORT

The following tables lay out which material issues are prioritized by relevant stakeholders as a result of the stakeholder analysis. Their relationship with TSKB's strategies, the SDGs that are served and the referenced capitals with respect to Bank's related actions are covered at the table.

Material Issue	Relevant Stakeholders (Inside/ Outside)	Materiality Strategy	SDG	Section where the created value is described in the report
Providing employees with "learning curve" development opportunities	TSKB Management, Employees, Employees of Subsidiaries	Employee development is one of the top priority issues for TSKB management. TSKB considers human resources to be the building block of a successful and sustainable performance. Employees working at TSKB and its subsidiaries prioritize their personal and professional development, and have the opportunity to continuously grow with the projects carried out.	8	Human Capital
Developing projects for maintaining and improving the Bank's financial performance	TSKB Management, Employees, Employees of Subsidiaries / Development Finance Institutions, Financial Institutions	TSKB's mission is; to contribute to Turkey's sustainable development. Maintaining and improving its strong financial performance is very important towards its access to foreign capital. In other words, sustainable financial performance is a fundamental criterion for TSKB.	8	Financial Capital
Supporting the financing of the combat against and adaptation to climate change	TSKB Management/ Clients, Development Finance Institutions, NGO Media Representatives	Combating climate change and the transition to a low carbon economy is a key issue for TSKB. Performing pioneering studies on combating climate change, renewable energy and energy efficiency, TSKB works in cooperation with its customers in managing the risks arising from climate change.	7 11 13 17	Financial Capital Natural Capital
Managing the environmental and social impacts of the Bank	TSKB Management / Development Finance Institutions, Non-Governmental Organizations / Media Representatives	Within the scope of its mission of sustainable development, it is important for TSKB to measure and manage every impact created. The Bank manages all kinds of environmental and social impacts arising from its operations - even negligible ones - through internationally recognized management systems. TSKB has also adopted pioneering practices in the sector for the management environmental and social impacts and risks, arising from financed projects.	5 6 7 11 13	Natural Capital Human Capital Social Capital
Creating projects for development	TSKB Management / Finance Institutions, Development Financial Institutions, Clients, NGO/ Media Representatives, Sector Representatives	The aim of TSKB, which was founded to support the development of the Turkish private sector, is to support sustainable development. The investment and growth projects of the private sector in Turkey are financed by/ through TSKB, with themed loans and APEX banking, regardless of the industry and size.	9 11 17	Financial Capital Natural Capital Social Capital

\*Inside Stakeholders: TSKB Management, Employees, Employees of Subsidiaries

\*\*External stakeholders: Clients, Development Finance Institutions, Financial Institutions, Sector Representatives, NGO, Media Representatives, Suppliers

Material Issue	Relevant Stakeholders (Inside/ Outside)	Materiality Strategy	SDG	Section where the created value is described in the report
Effective risk management	TSKB Management / Financial Institutions, Development Finance Institutions, Sector Representatives	Effective risk management approach is one of the building blocks of TSKB's strong and sustainable financial performance. The effective risk management approach is also crucial in the continuity of access to the funds of development finance institutions in the process of supporting the development of the Turkish economy.  TSKB manages all financial and non-financial risks with an effective corporate risk management approach.	8 16	Financial Capital
Full compliance with corporate governance principles	TSKB Management / Development Finance Institutions, NGO, Media Representatives	Most of the financing provided by TSKB comes from international sources. Ensuring continuous compliance with globally accepted corporate governance principles and transparency are vital in ensuring the uninterrupted access to these resources.	8	Financial Capital Human Capital Intellectual Capital
Support for employment	TSKB Management, Employees, Employees of Subsidiaries / Clients, Development Finance Institutions, NGO, Media Representatives, Suppliers	One of TSKB's primary goals is to support employment and sustainable economic growth. The Bank contributes to increasing employment within its own structure, clients and suppliers through its activities within the scope of the banking service cycle and the projects it finances.	8	Financial Capital Human Capital Social Capital
Supporting financing for women's empowerment	TSKB Management / Development Finance Institutions, NGO Media	In order to achieve sustainable development, gender equality must be ensured. It is observed that there is a need for financing for women's empowerment in Turkey. TSKB offers gender equality-themed loans in cooperation with development finance institutions and embodies its support for women's empowerment in business and social life.	5	Financial Capital Human Capital Social Capital
Strengthening relations with international fund providers	TSKB Management / Financial Institutions, Development Finance Institutions, Sector Representatives	For the medium-and long-term success of TSKB, a private development bank, it is important to ensure interrupted access to international financial resources.	8 7	Financial Capital



# STRATEGIC PLAN

## EXTERNAL FACTORS

### ECONOMIC DEVELOPMENTS

#### GLOBAL ECONOMIC DEVELOPMENTS

##### As protectionist tendencies increased worldwide...

The rise of protectionist tendencies in foreign trade in 2019 raised the downside risks on global economic outlook. While a weakening global economic outlook brought down commodity prices and inflationary expectations, the search for safe havens led bond rates to decline. In this environment, risk aversion gained momentum and interest rate cuts from central banks of developed countries supported a recovery in capital flows, though to a limited extent.

##### ...there was a contraction in global trade volume

In the January-November period of 2019, global trade volume contracted by 2.8% in US\$ terms and by 0.5% in real terms compared to the same period of the previous year. The weakening in foreign trade volumes in Japan and the Eurozone had a negative impact on industrial production worldwide. The global industrial sector grew by 0.8% YoY in the January-November period of 2019, considerably lower than the previous years' averages. The manufacturing Purchasing Managers' Index (PMI), which had stood at 51.4 at the end of 2018, declined to 49.4 at the end of the first half of 2019, confirming the contraction. However, the index recovered to 50.1 by December 2019.

Contrary to the loss of momentum in industrial production, the slowdown in the services sector remained limited on a global scale. The PMI which stood at 53.4 at the end of 2018, dipped to 51.9 by the end of the first half of 2019, indicating the continued buoyancy. The PMI Index had stood at 52.0 in December 2019, indicating the continuation of the growth in services sector.

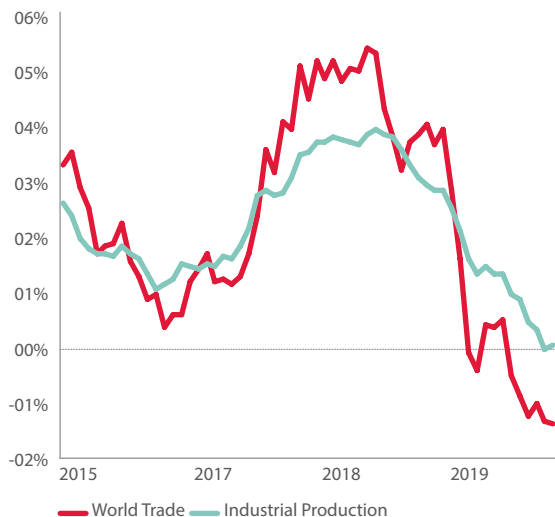
##### A fall in commodity prices, except for gold...

Weakening global economic growth led to a decline in commodity prices. Brent crude oil prices averaged US\$ 64.20/bbl in 2019, 10.4% lower than the 2018 average. Likewise, having reached peak levels in 2018, non-gold commodity prices faced a steep decline in the second half of the year. The Bloomberg Commodity Prices Compound Index's 2019 average was 3.9% lower than the 2018 average, while the metals and energy sub-indices tumbled by 8.0% and 8.5%, respectively. However, the decision by the OPEC plus Russia group to cut daily oil production by 500,000 barrels in the first quarter of 2020 led to a moderate recovery in oil prices.

##### ...leads to downward pressure in inflation and interest rates...

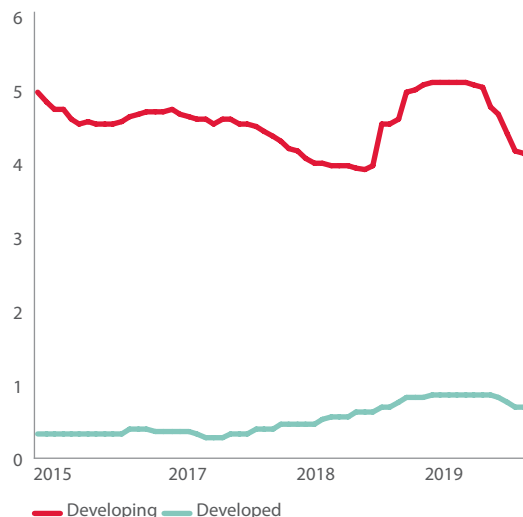
Declining commodity prices and the vulnerabilities in the growth outlook put downward pressure on inflation and interest rates. Having approached 3% in mid-2018,

#### WORLD TRADE VOLUME AND INDUSTRIAL PRODUCTION (3-MONTH AVERAGE ANNUAL CHANGES)



Source: CPB, TSKB Economic Research

#### AVERAGE POLICY INTEREST RATE IN DEVELOPING AND DEVELOPED ECONOMIES



Source: Bloomberg, TSKB Economic Research



inflation fluctuated between 1.5% and 2.3% in 2019 in the United States. In the Euro Zone, inflation declined from 2% to below 1% in the same period.

Yields on the US 10-year benchmark bond, which had risen to 3.2% in October 2018, declined to below 1.5% in mid-2019. In the same period, yields on Germany's 10-year bond declined from over 0.4% to -0.7%. This was followed by a recovery amid expectations that the bottom point may have been seen in the world economy with a recovery in risk appetite, as US 10-year benchmark yields rose to 1.8% and Germany 10-year yields to -0.2%.

#### ...and rate cuts from the FED and ECB

Under these market dynamics, the US Central Bank (the FED) started policy rate cuts in the second half of 2019, with cuts amounting to 75 basis points, lowering the upper band to 1.75% and the lower band to 1.50%. Meanwhile, the European Central Bank (ECB) cut rates from -0.40% to -0.50%, while resuming asset purchases and targeting long-term re-financing operations. Under these conditions, policy rates were also lowered in many emerging economies as well.

The IMF revised its 2020 growth projection for 2020 to 3.3%, marking a gradual downward adjustment of some 0.4 basis points since mid-2018.

#### Emerging economies to lead the recovery in 2020 growth, according to the IMF

The International Monetary Fund (IMF) stated that growth in 2019 was 2.9%, some 0.7 basis points under the 2018 figure and the lowest growth figure since 2008-2009. On the other hand, the IMF revised its 2020 growth projection for 2020 to 3.3%, marking a gradual downward adjustment of some 0.4 basis points since mid-2018. In its report, the IMF pointed out that interest rate cuts from central banks had partially limited the downside risks, while pointing out that the recovery in 2020 growth would come on the back of an acceleration in emerging economies outside China.



## STRATEGIC PLAN

### EXTERNAL FACTORS

The central budget realizations in 2019 reflect the measures taken in 2018 to support the economy, rising interest rates and the contraction in domestic demand.

#### THE TURKISH ECONOMY

##### A recovery in the economy from mid-2019...

Having lost momentum in the second half of 2018, the Turkish economy started to bounce back in mid-2019.

The economy contracted by 1.9% in the first half of 2019 compared to the same period of previous year, while recording 0.9% growth in the third quarter with the recovery in domestic demand. Thus, the contraction in the January-September period was recorded at 0.9%.

##### ...thanks to the support of public spending and external demand

While private sector consumption and total investment spending weighed down on growth throughout the year, public spending and external demand limited the contraction in the economy. The seasonally adjusted unemployment rate increased to 13.2% in November 2019 from 12.9% at the end of 2018.

##### Tourism makes a strong contribution to the economy

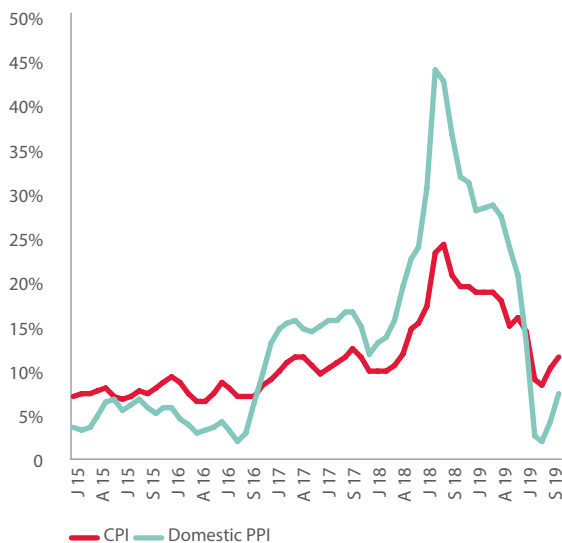
A strong contribution from the tourism sector in 2019 led to a significant reduction in the Turkish economy's external imbalances while domestic demand stayed weaker. Moreover, exports remained strong thanks to the competitive levels of the TL, supporting the foreign trade balance and the improvement in the current account. Accordingly, exports increased by 2.1% in 2019 compared to the previous year, while imports declined by 9.1%, implying a 33.9% decline in the foreign trade deficit. The current account turned from a deficit of US\$ 28.3 billion in 2018 into a surplus of US\$ 1.7 billion in 2019. The non-energy current account surplus increased from US\$ 10.3 billion in 2018 to US\$ 35.5 billion in 2019.

The central budget realizations in 2019 reflect the measures taken in 2018 to support the economy, rising interest rates and the contraction in domestic demand. Tax income recorded a limited 8.3% increase in 2019 while non-interest expenditures rose by 18.9%. As a result, the budget deficit increased by 69.9% YoY to TL 123.7 billion, while the non-interest budget surplus of TL 1.1 billion in 2018 turned into a deficit of TL 23.8 billion in 2019.

##### The Central Bank of Turkey monitored the recovery in inflation dynamics...

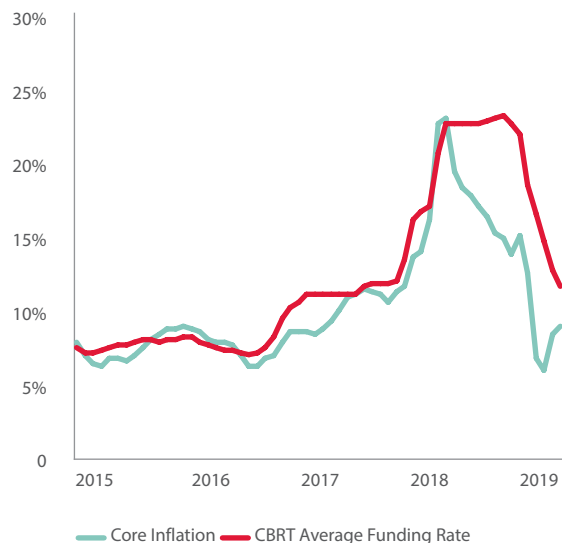
Lower global commodity prices combined with the limited volatility in the TL and the subdued domestic

#### ANNUAL INFLATION RATES



Source: TurkStat, TSKB Economic Research

#### CBRT AVERAGE FUNDING RATE AND CORE INFLATION



Source: CBRT, TurkStat, TSKB Economic Research

Lower global commodity prices combined with the limited volatility in the TL and the subdued domestic demand conditions all contributed positively to inflation dynamics in 2019 in general.

demand conditions all contributed positively to inflation dynamics in 2019 in general. The rate of CPI inflation, which stood at 20.3% at the end of 2018, declined to a three-year low of 8.55% in October 2018, while core inflation dropped to 6.67% - the lowest figure in the last six years.

While goods prices were the main reason behind the fall in overall inflation, the improvement in services group inflation was slower. However, the decline in domestic producer prices throughout the year confirms the easing in cost pressure. The annual rate of PPI inflation, which stood at a rate as high as 33.6% at the end of 2018, declined to 1.7% in October. Following that, the annual rate of inflation started to increase in November and December due to the base effects. As a result, the annual rate of CPI inflation rounded off the year at 11.8% while the annual rate of PPI inflation stood at 7.4%.

#### ...and implemented rate cuts

The Central Bank of Turkey left interest rates on hold in the first half of the year, while the volatility in financial markets was limited throughout the year as a result of the rebalancing process in the economy. In the second half of the year, the Central Bank lowered the policy rate from 24% to 12%.

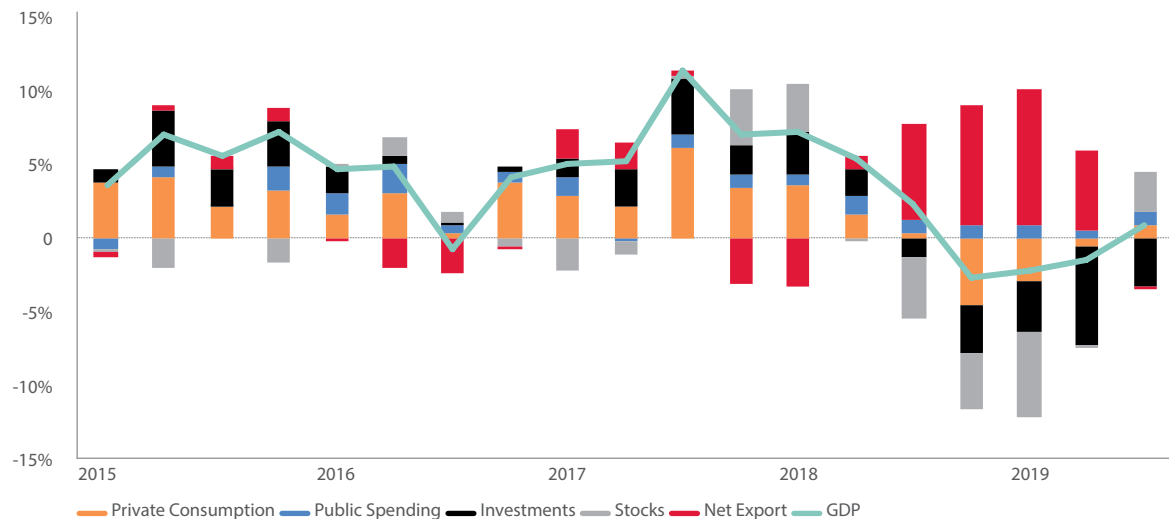
Yields on the benchmark bond, having ended 2018 at 19.73% and increasing a little further in the first half of 2019, declined to below 12% by the end of the year. The USD/TL exchange rate fluctuated between 5.15-6.25 during the year, from a rate of 5.26 at the end of 2018, suggesting that the TL underwent a limited depreciation of 0.4% in real terms. On the other hand, equities enjoyed gains of more than 20%.

#### Turkish economy on course to grow close to its potential in 2020

The Turkish economy, which is estimated to have concluded 2019 with limited growth, is expected to grow close to its potential trend growth in 2020 with growth driven by domestic demand while, in contrast to 2019, the current account balance is expected to post a deficit in 2020.

While global developments limit inflationary risks, food prices will be a parameter that must be followed closely. In the presence of these dynamics, it is thought that the Central Bank has some further room for additional interest rate cuts in 2020.

#### ANNUAL GDP GROWTH AND COMPONENTS



Source: TurkStat, TSKB Economic Research

## STRATEGIC PLAN

### EXTERNAL FACTORS

#### SECTORAL DEVELOPMENTS

The banking sector recorded a higher rate of growth in 2019 compared to the previous year. While the share of the foreign liabilities in the funding structure of the sector was reduced as a matter of strategic choice, the banking sector managed to deliver solutions that would support the economy despite the burden of worsening asset quality.

Loan demand declined as a result of the changing economic conditions and expectations in 2018, resulting in an foreign currency adjusted loan growth of 1.8%. In 2019, the loan demand relatively picked up in 2019 and total loans posted a growth of 6.2%.

Loan demand in 2019 was predominantly driven by Turkish Currency (TL) loans. TL loans grew by 14.8% while FX loans shrunk by 5.6% amid an absence of FX loan demand from corporations and the repayments of existing loans. With regard to corporate loans, TL loans grew by 14.6% while the contraction in FX-denominated loans limited the overall growth in corporate loans to 3.9%.

On a scale basis, SMEs preferred to scale back their loans, while corporate firms other than SMEs switched to TL loans from FX loans due to change in regulations. In 2019, the net volume of TL loans increased by 6.3%. In 2019, private banks, including TSKB, recorded a 4.9%

growth in TL corporate loans, and a 22% expansion in the non-SME corporate loans. However, there was an 8% contraction in the FX loan volumes as a result of corporates' net repayments.

In the second half of 2019, the Central Bank has started rate cuts which was followed by banks via lowering lending rates. In addition, given the postponed demand, a recovery was observed on retail and non-SME corporate TL loans.

Loan demand is projected to remain buoyant in the first half of 2020, and loan growth in 2020 is estimated to end up at 10-15% levels.

#### Asset quality set to improve

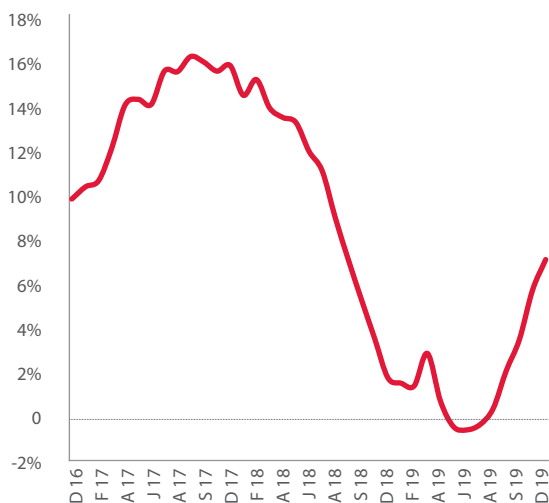
The positive developments expected to be seen in the asset quality will have a decisive impact on the expansion of the sector's contribution to the economy.

Since 2018, migration to loans under close monitoring and non-performing loans have accelerated and some large-scale loans have been restructured. The efforts of banking sector for restructuring of loans continues with the support of regulation revisions.

As of the end of 2019, the sector's NPL ratio stood at 5.29%, indicating a surge of 140 basis points compared to 2018 year-end figure. On corporate loans side, NPL ratio reached 5.79%, which is 180 basis points higher than the previous year.

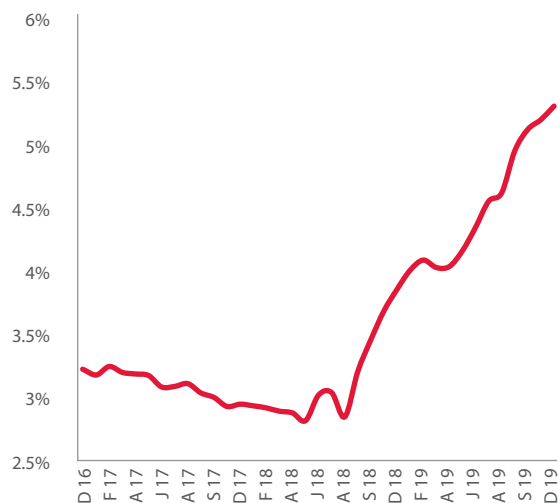
#### BANKING SECTOR LOANS

(FX-adjusted annual growth)



Source: BRSA Statistics

#### BANKING SECTOR NPL RATIO



Source: BRSA Statistics



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In 2020, the positive expectations in the macro-economic conditions and the success of restructuring of loans, will create positive contribution to the asset quality.

The deterioration of the asset quality, including the loans under close monitoring, has become a burden for the banking sector regarding its support to the economy. The difficulties in collections and the provision costs take its toll on the banks' lending potential.

The expected improvement in the economic conditions, the success of restructuring efforts and the loan growth in 2020 may limit further deterioration in the asset quality.

Despite the fluctuations in economic and market conditions; the capital adequacy ratio, which is the main indicator of resilience of the banking sector, was strengthened by 130 basis points to 18.63% as of November 2019, as a result of the prudent management approach adopted by the banks.

In 2019, it was observed that the shareholders' equity of private banks was supported by the accumulation of core equity, while the state banks' was backed by the state via subordinated debt instruments. The high capital adequacy ratio will enable the banking sector to accelerate the loan growth in 2020.

## AUTHORITIES' REGULATIONS AND REGULATORY CHANGES

### Macro-Precautionary Measures

With regard to foreign exchange transactions, the banking and insurance transaction tax (BSMV) over the sales amount was put in place at a rate of 1 part per thousand with effect from May 15<sup>th</sup> 2019, while it increased to two parts per thousand with the omnibus bill that entered effect on December 7<sup>th</sup> 2019. On the other hand, the BSMV rate - which is normally calculated over the sales amount - was determined as zero in the sales of foreign exchange made to enterprises holding a industrial registration certificate and for foreign exchange sales made to the exporters who are members of exporter unions.

The practice of bringing export prices, which were put into practice for 6 months in 2018, within 180 days and converting 80% of the export price to Turkish Lira was extended in 2019. The practice remained in force until March 3, 2020 with the amendment tabled on August 31, 2019. On the other hand, with the amendment



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made on the last day of 2019, the time of bringing the export prices to the country was increased to 270 days, and the practice of converting export prices into Turkish lira was abolished.

As set out within the context of Law No:32 on the Protection Of The Value Of Turkish Currency, there were a total of 22 amendments made to the Capital Flows Circular in 2019, which is the application instruction for the use of foreign currency loans. The majority of the changes were made in line with the needs of the Bank and financial institutions that intermediate in the sector and foreign currency loans.

#### BRSA Regulations and Financial Reporting

The 'Regulation on the Amendment of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for Such Loans was published by the BRSA and entered into effect. Within the scope of the amendments made with the regulation, the proportion of loans / receivables classified as losses and for which there are no reasonable expectations regarding the recovery of loans with the lifetime of the loan due to the expected default of the borrower, or the loans that set aside special provisions can be deducted from the records as of the first reporting period within the context of TFRS 9.

At the same time, the disengagement application will not result in the right to renounce receivables and the issues related to the disengagement application (indications that there are no reasonable expectations, follow-up policies, unregistered policy, deductions, etc.) will be explained in the footnotes of the financial statements.

Within the context of Regulation on Equity of Banks, of the general provisions, up to 125 parts per 10,000 of the sum of risk-weighted amounts of receivables, in which the standard approach was used to determine the amount subject to credit risk, could be included in the contribution capital calculation. With the amendment made to the Regulation on March 14<sup>th</sup>, 2018, the decision was taken not to include these amounts in the contribution capital calculation as of January 2020. With the amendment made in December 2019, the effective date of the measure was postponed until January 2022. Thus, from January 2022, general provisions will not be included in the contribution capital calculation.

#### Financial Restructuring Agreements

The Law No. 7186 on the Amendment to the Income Tax Law and Certain Laws were published in the Official Gazette dated 19 July 2019 and entered effect. In accordance with Article 17 of this Law and the temporary articles added to the Banking Law, the framework was set for The Banks Association of Turkey (TBB) to prepare the Financial Restructuring Framework Agreements. With the Financial Restructuring Framework Agreements prepared by TBB as a result of the regulation, financial restructuring implementation was initiated for banks and financial institutions for large and small scale companies with credit debt.

The application is aimed at customers who are willing to pay their debt but are unable to fulfil their reimbursement obligations because of difficulty in balancing their income with their spending.

The implementation for large-scale companies with debts of TL 25 million or more to the financial sector, prepared within the framework of the Financial Restructuring Framework Agreements, entered force on October 14, 2019, while for small-scale companies with debts of less than TL 25 million, the implementation entered force on November 8, 2019 following the necessary approvals.

TSKB has signed Financial Restructuring Framework Agreements for both implementations.

Within the context of the same regulation, with the temporary article No:32 added to Banking Law No: 5411, indebted parties which have credit relations with the banks, financial leasing companies, factoring companies, financing companies and other financial institutions defined in the temporary article which are operating in Turkey, and which have been specified in the Framework Agreements made in accordance with the regulation published by the BRSA, may be restructured as a whole or in part with other borrowers in the risk group they are involved in, with the measures to be taken regarding the loans extended by these institutions, to enable them to fulfil their reimbursement obligations and continue to contribute to employment.

The procedures and principles regarding financial restructuring to be made in accordance with this article will be determined by the Framework Agreements prepared within the framework of the provisions of the regulation issued by the Authority. The rulings of this article will be applied for two years from the date of publication of this article. Additionally, in line with the framework agreements entered into in accordance with

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the article in the regulation and the contracts arranged within the scope of these agreements, the parties will be exempted from stamp duty, Resource Utilization Support Fund (KKDF) payments and the banking and insurance transaction tax (BSMV).

### Anti -Money Laundering and Counter-Terrorism Financing and Sanctions

There were many developments in 2019 on a global scale, which led the USA to tighten its policies on sanctions, while paving the way for the European Union to expand its regulations on anti-money laundering and counter-terrorism financing.

In accordance with national law and international regulations, TSKB follows the national and international exclusion lists and sanction decisions within the framework of its commitments to institutions and organizations which have a correspondent / resource relationship. Since the Bank is obliged to carry out exclusion and sanction checks in all its activities, it has been conducting its exclusion and sanction checks comprehensively and systematically since 2016.

The Dow Jones Watchlist system is used at TSKB, as all exclusion and sanction lists are checked in their most comprehensive form. During the process, automatic controls are performed on the query screens with a wide array of data.

Performing queries into the exclusion and sanction checks automatically on digital environment reduces the possible control risk that TSKB may encounter.

## OTHER FACTORS

### Climate Action

The effects of climate change have become more visible in daily life. In this process, climate action comes to the fore simultaneously.

The 25<sup>th</sup> Conference of the Parties (COP25) held in December 2019 made an overwhelming impression under the subject of combat against climate change, as the business world, including the banking sector, closely followed this process and its outcomes. However, COP25 was subject to criticism for failing to produce the outcomes expected by the international agenda.

The discussions between the parties expecting all countries to set out and undertake more ambitious targets regarding climate change and the resisting countries were finalized by updating the decision that countries should update and enhance their climate plans as the proposal of all countries to communicate their climate plans in 2020.

### Sustainable Finance

The significance and importance of sustainable finance is another factor which has been in the spotlight in recent years. International initiatives and standards developed in the field of sustainable finance play an important role in accelerating the process.

The Responsible Banking Principles, published by UNEP FI in September 2019, were put into force with the signature of 130 banks from 49 countries. The EU has taken the lead in setting regional standards and commissioned a number of studies in this regard. The European Commission launched a package of measures for the implementation of the fundamental actions announced in the Sustainable Finance Action Plan in May 2018. In this regard, there are efforts spent on the development of EU green bond standards, EU taxonomy (specifically for climate change), EU climate criteria and climate related corporate reporting criteria.

### Social Outlook and Social Development

According to November 2019 figures, Turkey's unemployment rate increased by 1 percentage point to reach 13.3%. Considering an average rate of unemployment of 5.1% throughout the OECD as of December 2019, the unemployment rate in Turkey appears high when compared with OECD countries.

Meanwhile, youth unemployment in Turkey increased by 0.9 percentage points to reach 24.5%. Women's participation rate in the labour force stood at 33.9% in 2019, below the global average of 47.6%.

The issue of gender equality, which has increasingly gained importance in recent years, remained a contentious issue in 2019. According to the 2019 Gender Inequality Index (GII) study carried out by the United Nations Development Program, Turkey is ranked 66<sup>th</sup> among 162 countries with an index value of 0.305.

### Non-Financial Reporting Trends

The non-financial reporting trend, which has gained momentum in recent years, continued its rise in 2019. Based on the figures from the 2018-2019 period, 61% of companies listed in FTSE 350 undertook non-financial or both financial and non-financial reporting.

The most innovative trend in reporting is the work undertaken in the field of reporting climate related financial impacts. The most prominent standard among these is the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). According to 2019 figures from TCFD, 785 organizations have committed to support the TCFD initiative, which is a voluntary initiative focusing on reporting financial risks caused by climate change. In addition, 36 different central banks and five governments stated their support for the TCFD and encouraged TCFD reporting.



# CAPITALS

## FINANCIAL CAPITAL



**TSKB'S FINANCIAL CAPITAL CONSISTS OF PRODUCTS AND SERVICES IT PROVIDES TO ITS STAKEHOLDERS THROUGH ITS FINANCIAL RESOURCES AND THE ADDED VALUE IT CREATES THROUGH ITS CORPORATE CULTURE WHILE ALLOCATING THESE RESOURCES.**

### CONTRIBUTION TO TURKEY'S SUSTAINABLE DEVELOPMENT

TSKB's economic and development-oriented structure enables it to evaluate and direct its financial resources towards this goal.

Since its foundation, TSKB has been constantly developing its competencies and witnessed Turkey's development journey in every aspect. The Bank is focused on contributing to the investment and development journeys of the business world in the areas of Corporate Banking, Investment Banking and Advisory Services from a more focused perspective and increasing its effectiveness in these areas.

#### In this section

Deeply-Rooted Expertise In Investment Loans  
Renewable Energy  
SMEs  
Women's Empowerment  
Close Cooperation with Development Finance Institutions  
Strong Relations with International Financial Institutions  
APEX Banking  
Corporate Finance  
Money Markets and Capital Markets  
Advisor Bank  
Information Technologies and Process Improvement Projects  
TSKB's Stock Performance  
Assessment of Financial Situation, Profitability and Solvency  
2020 Financial Projections

### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS FINANCIAL CAPITAL



TSKB AT A GLANCE	STRATEGY, PERFORMANCE AND EXPECTATIONS	CORPORATE GOVERNANCE
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## 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

### HIGHLIGHTS FROM 2019

#### AN EXPANDING AND DIVERSIFIED NETWORK OF DEVELOPMENT FINANCE INSTITUTIONS WITH NEWCOMERS

TSKB further strengthened its strong liquidity position by signing a total of USD 475 million loan agreements, mainly medium and long-term loans, in 2019. The loan obtained from the China Development Bank (CDB) during year was the first loan given to Turkey by CDB under the guarantee of the Ministry of Treasury and Finance.

#### USD 1.4 BILLION OF SUPPORT TO THE ECONOMY

TSKB's support to the economy via cash and non-cash loans in 2019 amounted to USD 1.4 billion. Total cash loans amount has reached to USD 650 million out of which USD 80 million was in the form of APEX loans.

#### A KEY PLAYER IN DEVELOPMENT AND INVESTMENT BANKING WITH ITS STRONG CAPITAL

TSKB's total assets expanded by 10% compared to the previous year driven by the contribution of the growth in its loan portfolio, reaching TL 42 billion. Ranking 13<sup>th</sup> in the sector in terms of its asset size, the Bank maintains its number two position among development and investment banks. 77% of TSKB's assets were denominated in foreign currency (FX), and the Bank's capital adequacy ratio stood at 17.8% at the end of 2019.

#### A RISK-FOCUSED AND SELECTIVE APPROACH IN LOAN ACTIVITIES

Commanding a 35% market share among development and investment banks in long-term loans, TSKB continued to grow its loan portfolio in 2019 with a risk-oriented and selective approach. The Bank's total gross loans increased by 12.5% in TL terms in 2019 reaching TL 31.4 billion. The Bank maintained its intensive loan monitoring activities in 2019 as well.

USD **1.4** billion  
TSKB extended USD 1.4 billion of support to the economy via cash and non-cash loans in 2019.

#### USD 4.2 BILLION OF NEW LOAN LIMITS

TSKB allocated USD 4.2 billion of cash and non-cash (excluding APEX) loan limits to its corporate clients during the year and signed new loan agreements totalling USD1.8 billion. The number of the Bank's active clients has expanded by 37% in the last 3 years.

#### INVESTMENT LOANS ACCOUNT FOR 70% OF THE LOAN BOOK

In line with its mission, TSKB focuses on investment loans, which accounted for 70% of the Bank's total loans in 2019. As of the end of 2019, 22% of the total loan portfolio consisted of working capital loans and APEX loans accounted for an 8% share.

91% of TSKB's loan portfolio is comprised of FX loans, with 48% in USD terms and 42% in EUR terms. The share of TL loans in the Bank's total loan portfolio stood at 9%.

#### MEDIUM AND LONG-TERM LOANS COMPRISE 85% OF TOTAL LOANS

TSKB extends medium-term and long-term loans to its clients in line with its vision to be the pioneering bank in Turkey's sustainable development. As of the end of 2019, 15% of TSKB's loan portfolio was comprised of loans with maturities of less than one year whereas 51% account for the loans with maturities of 5 years or longer. On average, each loan has a maturity of 5.3 years with a size of USD 13 million.

#### A STRONG SURGE IN BANKING REVENUES

TSKB increased its banking revenues, excluding CPI-linked security income and trading gain/loss, by 32% year-on-year to TL1.2 billion. Having maintained its prudent provisioning policy, the Bank posted a net profit of TL 702 million, marking an surge of 6.2% compared to the previous year. As of 2019 year-end, TSKB delivered a return on tangible equity of 16.1% and a return on assets of 1.8%.



# FINANCIAL CAPITAL

## 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

### DEEPLY ROOTED EXPERTISE IN INVESTMENT LOANS

Within the scope of its corporate banking activities, TSKB extended USD 650 million of cash loans to its clients in 2019, with USD 305 million of this amount provided to corporate clients to support long-term investment projects, and short to medium term business loans. As part of its project financing activities, the Bank extended approximately USD 265 million to project finance loans which were financed with the participation of other financial institutions. The amount of APEX loans extended in the same period was USD 80 million.

In 2019, the new loans were predominantly focused on infrastructure investments in electricity generation and distribution activities; industrial development, support for women’s employment and developing regions, energy and resource efficiency and as well as financing efforts for the investment and working capital needs of SMEs and MSEs operating in areas such as the automotive, textile, chemical-plastics, food and iron and steel sectors.

In 2019, financing was provided to investments in wind, geothermal, solar and biogas resources in the field of renewable energy.

According to 2019 figures published by the Banks Association of Turkey, TSKB commands a 4% market share in project financing.

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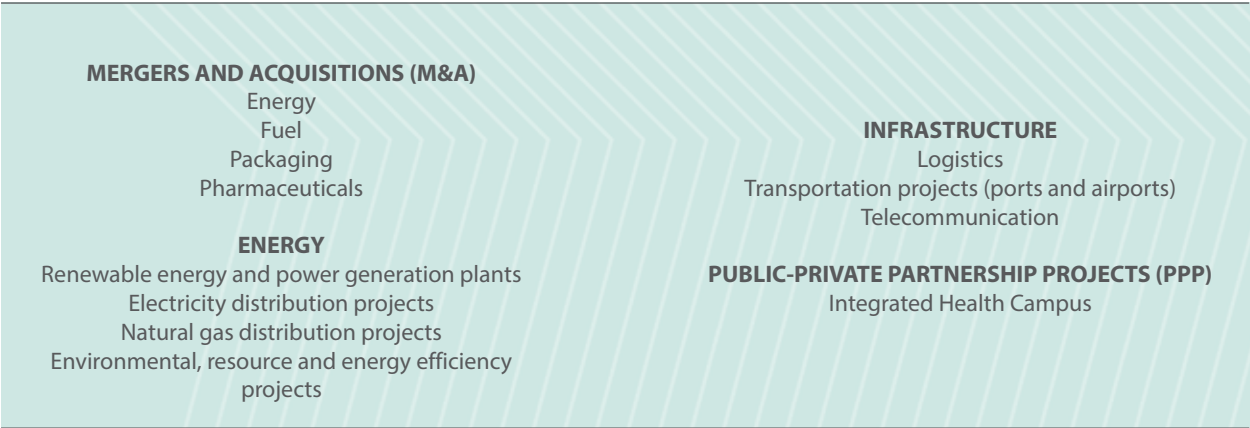
%

According to 2019 figures published by the Banks Association of Turkey, TSKB commands a 4% market share in project financing.

In 2019, the new loans were predominantly focused on infrastructure investments in electricity generation and distribution activities; industrial development, support for women’s employment and investments in developing regions, energy and resource efficiency and infrastructure as well as financing efforts for the investment and working capital needs of SMEs and MSMEs operating in areas such as the automotive, textile, chemical-plastics, food and iron and steel sectors.

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AREAS WHERE TSKB PROVIDES PROJECT FINANCING



Effective use of renewable energy resources is significantly important in the process of combatting climate change and Turkey's transition to a low carbon economy.



### RENEWABLE ENERGY\*

## 294 PROJECTS - 6,069 MW



### 94 HPPs

Number of Ongoing  
Projects: 3

**Total Installed Power**

**3,824 MW**



### 15 GPPs

Number of Ongoing  
Projects: 2

**Total Installed Power**

**598 MW**



### 32 WPPs

Number of Ongoing  
Projects: 2

**Total Installed Power**

**1,338 MW**



### 15 BIO MASS / WASTE

Number of Ongoing  
Projects: 1

**Total Installed Power**

**150 MW**



### 138 SPPs

Number of Ongoing  
Projects: 11

**Total Installed Power**

**160 MW**

### ENERGY AND RESOURCE EFFICIENCY

## 148 PROJECTS



### RESOURCE EFFICIENCY

### 62 PROJECTS

#### Sectors

Tourism, Chemicals,  
Automotive, Steel, Cement,  
Textiles



### ENERGY EFFICIENCY

### 86 PROJECTS

#### Sectors

Chemicals, Automotive,  
Cement, Mining, Energy,  
Steel, Textiles

\*Limits have been allocated to 325 projects with a total installed capacity of 6,485 MW as of the end of 2019. Renewable energy information in the table is provided on the basis of disbursements.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

14%

The energy projects financed by TSKB so far account for 14% of Turkey's total installed renewable energy power.

#### THE RENEWABLE ENERGY SECTOR AND TSKB

Combating climate change and an efficient and accurate use of renewable energy resources during Turkey's transition to a low carbon economy hold key importance. Renewable energy resources also have a key position in terms of reducing Turkey's import dependency in the field of energy. Electricity generation has the largest share in the Bank's loan portfolio with a rate of 36 where renewable energy projects constitute 86%.

#### **Total installed capacity of renewable energy projects, which TSKB provides financing so far, reaches 6,069 MW.**

TSKB has been supporting projects carried out in the field of renewable energy in our country since 2002 with its medium and long term funds secured from DFIs.

The energy projects financed by TSKB range from hydro-electric power plants to solar, wind, biomass and geothermal power plants. The total estimated installed capacity for the 294 projects financed stood at 6,069 MW, representing 14% of Turkey's total installed capacity in renewable energy.

Types of renewable energy projects which have been financed in 2019 were mainly wind, geothermal, solar and biomass.

Notably, the energy sector maintained its significant share in TSKB's loan portfolio at the end of 2019. In the upcoming periods, Bank will continue supporting such renewable energy projects which enhance domestic energy resources in the economy.

#### **87% of financed energy projects are in operation.**

As of end of 2019, 87% of the power plant projects financed by TSKB are in operation. The operating projects have a total installed capacity of 5,296 MW.

While the total investment amount for energy projects financed between 2003-2019 in our country was USD 10.4 billion, TSKB committed a financing of approximately USD 4.3 billion for these projects.

87%

As of the end of 2019, 87% of the energy projects financed by TSKB are in operation.

#### **TSKB provides strong support for energy and resource efficiency projects.**

Since the first energy efficiency strategy document released by the government in 2012, TSKB has been supporting efforts to improve resource and energy efficiency in local private sector by offering medium term and long-term funding. The Bank so far extended approximately USD 1 billion of funding to 148 projects in the energy and resource efficiency fields as well as for production processes and waste management to companies in the iron, steel, cement, textile, aluminium, automotive supply and chemicals industries.

Energy and resource efficiency loans extended in various sectors represented 5% of TSKB's loan portfolio as of the end of 2019.

In a cycle when tackling climate change has steadily gained more importance, TSKB anticipates that the importance of resource efficiency - including energy efficiency - will increase further.



TSKB AT A GLANCE	STRATEGY, PERFORMANCE AND EXPECTATIONS	CORPORATE GOVERNANCE
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With the projects financed under the theme of women empowerment approximately 1,450 jobs has been created for women as of 2019 year-end.

### VERSATILE SERVICES EXTENDED TO SMEs

Ever since the day it was established, TSKB has offered various financing models in support of SMEs which are at the heart of the Turkish economy.

The Bank finances the investments of the relevant firms in a variety of fields ranging from modernization and capacity expansion investments, to energy efficiency and environmental projects. Furthermore, the working capital needs of SMEs are covered according to the funding criteria of the funds received from development finance institutions. As of the end of 2019, the share of SME loans on lend through APEX loans within the total portfolio stood at 8%.

The InnovFin SME Guarantee Agreement, developed within the scope of Horizon 2020, was signed with the European Investment Fund (EIF) in order to improve SME's access to finance, as providing sufficient collateral being one of the most challenging problems SMEs face in accessing bank loans. TSKB has been supporting the research, development and innovation projects of innovative SMEs since 2016 with the loans extended in a portfolio under this loan guarantee mechanism. As of the end of 2019, a portfolio volume of EUR 10.3 million was reached with a total of 11 sub-loans included in the InnovFin portfolio.

### INCREASING SUPPORT FOR WOMEN'S EMPLOYMENT

Following the loan agreement signed with the French Development Agency (AFD - Agence Française de Développement) in December 2016, as a consequence of its theme diversification focus, TSKB added "Women's Empowerment" in addition to "Occupational Health and Safety" to its funding themes. This funding was used to support the occupational health and safety investments of the firms operating in Turkey and to finance investments in various sectors, undertaken by the firms which support gender equality in the working environment and to provide opportunities for women to join the workforce.

Furthermore, with the World Bank loan provided in 2018, TSKB continued to support women's employment in addition to developing regions where the concentrations of Syrians living under temporary protection (SuTP) is high.

As of 2019, around 1,450 additional women have joined in the labour force with the financing support of TSKB under the women empowerment theme. In addition, action plans are designed for companies to self-evaluate and improve their practices within the scope of equal opportunity such as implementation of equal opportunities in job recruitment and selection, revision of HR policies, ethic rules, disciplinary policies, improving or establishing breastfeeding rooms, reducing or eliminating the gender pay gap and supporting training on gender equality.

In November 2019, TSKB obtained EUR 85 million loan from AFD to finance investments to be undertaken by companies which support equal opportunities and women's employment in the working environment.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

Taking USD 700 million provided to SMEs through APEX loans into account, total amount of funding extended to the real sector by TSKB in the last 5 years amounted to USD 7.7 billion.

#### USD 7 BILLION OF FUNDING PROVIDED BY TSKB TO THE REAL SECTOR IN THE LAST 5 YEARS

Operating with the mission of producing effective solutions to the long-term resource needs of private sector clients, TSKB provides a high-quality contribution to the sustainable growth of the Turkish economy. The Bank extended USD 7 billion of total direct funding to the real sector in the last five years in sectors such as renewable energy, energy efficiency, infrastructure and logistics.

Taking the USD 700 million worth of APEX loans directed to SMEs into account, the total funding extended to the real sector reached USD 7.7 billion.

#### A BALANCED NON-CASH LOAN PORTFOLIO

Brokering for letters of guarantee, import and other foreign trade transactions as required by investment and utilities projects, TSKB offered its clients USD 720 million of total non-cash loans in 2019.

Throughout the year, the Bank focused on responding to the non-cash loan needs of its clients in the energy, iron and steel, chemistry, plastics and textile sectors.

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USD **720** million

Total non-cash loans TSKB made available to its clients in 2019.

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#### EXTENSIVE SUPPORT FOR TURKEY'S DEVELOPMENT IN 2020

TSKB plans to continue financing renewable energy projects in line with the Sustainable Development Goals in 2020, which contribute to bringing domestic energy resources into the economy. At the same time, The Bank will also continue to support investments which support women's employment and investments in developing regions, and projects that transfer human and cash capital to R&D investments, target energy and resource efficiency, and investments by exporters which provide foreign currency input to our country. Another target set out by TSKB is to increase its support for the development of our country by continuing to provide financing within the scope of investment and working capital needs for development priority regions.

#### LOAN MONITORING ACTIVITIES

The selection of companies and projects to be credited, the implementation of the credit analysis and the allocation and monitoring functions from a comprehensive and prudent perspective all contribute significantly to the sustainability of the high quality of the loan portfolio.

Projects at TSKB undergo a rigorous assessment process based on unbiased, comprehensive and in-depth reviews by financial analysts, engineers and economists. Accordingly, the Bank's NPLs have historically remained at low levels.

The main part of the loans provided for companies' investment and working capital financing consists of foreign currency loans and it is therefore important on clients' front to generate foreign currency income and cash flow. A significant share of TSKB's loan portfolio consists of loans to renewable energy projects which will maintain their strategic importance in the future. This contributes to the high asset quality of the Bank's portfolio. The guaranteed prices denominated to foreign currency in these projects and additional incentives for local equipment usage create a natural hedging mechanism, increasing the efficiency and solvency of the projects.



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TSKB signed USD 300 million of themed loan agreements with development finance institutions in 2019.

Economic developments since 2018 have spurred a wave of credit restructuring in the banking sector. In this process, TSKB has embarked on a process of restructuring and/or refinancing certain loans in its portfolio, mainly consortium loans syndicated by banks as well as some project finance loans. Most of these restructuring processes have been completed, and another phase of them is in the pipeline reaching completion.

The majority of the Stage 2 and Stage 3 loans are project finance loans extended to companies which continue their activities. For loans whose restructuring process is underway, the cash flows and repayment plans of projects are matched by revising the agreements taking the business models prepared under detailed analysis into account. Furthermore, additional measures are also taken such as obtaining sponsor contribution, additional collateralization and/or generating cashflow via asset/share sales or are also being taken.

In the coming period, TSKB aims to provide non-operating cash flows in some restructured loans through public offering or direct sales. Within the scope of these efforts, TSKB aims to reduce the indebtedness of the relevant groups and make the loans payable in a healthy structure by taking advantage of the positive effect of the improvements in the economic conjuncture.

As of the end of 2019, 70% of Stage 2 and Stage 3 loans were restructured. The restructuring of most of these loans was completed in 2019. In the sector, during 2020 the restructuring of the non-performing loans is expected to continue.

The ratio of TSKB's non-performing loans, which is dominated by two big ticket loans, was 3.5% as of December 31, 2019. TSKB anticipates that its NPL ratio will be below the 2019 level in 2020.

## CLOSE COOPERATION WITH DEVELOPMENT FINANCE INSTITUTIONS

As being one of the most well-known Turkish banks in the international financial markets, TSKB operates in close cooperation with the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), German Development Bank (KfW), Islamic Development Bank (IsDB), French Development Agency (AFD), International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), Japan Bank for International Cooperation (JBIC), Development Bank of Austria (OeEB), Asian Infrastructure Investment Bank (AIIB) and the China Development Bank (CDB).

TSKB continued its efforts to secure new financing sources from development finance institutions in 2019. During the year, the total volume of thematic loan agreements signed has reached to USD 300 million level.

### CDB Loan

TSKB signed a loan agreement with the China Development Bank (CDB) with an amount of USD 200 million on September 11, 2019. This is the first loan extended by the CDB to Turkey under the guarantee of the Ministry of Treasury as well as being the first long-term resource provided by the CDB in Turkey.

The loan is provided as part of the Belt and Road Initiative, which is being carried out by the People's Republic of China, and aims to support manufacturing industry, SME, energy, infrastructure, health and education projects in Turkey.

### AFD Women's Employment Loan

TSKB signed a EUR 85 million loan agreement with the AFD on November 8, 2019 to finance investments undertaken by companies which support gender equality and women's employment in the working environment.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

As a continuation of the women's employment and occupational health and safety loan signed with AFD in 2016, the loan aims to fund investments undertaken by companies which provide opportunities for women's employment in Turkey. The loan also shows the dedication of TSKB to support gender equality and women's employment.

#### European Bank for Reconstruction and Development (EBRD) Co-financing Agreement

On May 28, 2019, TSKB signed a risk sharing agreement with the EBRD in continuation of the "co-financing" cooperation of previous years. With this agreement, the EBRD will be able to provide a maximum of 50% financing to companies financed by TSKB. Under the agreement, the total volume of the EBRD portion could reach up to EUR 50 million.

#### STRONG RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2019, TSKB maintained close contact with local and international banks and continued to focus on enhancing its relations with banks in line with the goals of diversifying funds and product development. Furthermore, it pursued intensive and effective communication with rating agencies. A summary of TSKB's cooperation with international financial institutions in 2019 is provided below.

#### TSKB GMTN Programme

TSKB updated its "Global Medium Term Note Program" to 144A / RegS standards in order to add US investors to the potential investor base in a possible issuance. As of the end of 2019, Eurobond issuances, including

#### IN THE COMING PERIOD...

##### GOAL FOR FUNDING DIVERSIFICATION

TSKB will continue its efforts to secure funds from international and supranational development finance institutions in line with its future strategy in line with the priorities and needs of the country. In this context, in addition to the existing creditor institutions working in cooperation, TSKB will continue to research and aim to establish new relationships with new institutions such as the CDB who joined TSKB's creditors in 2019.

##### ACTIVITIES TO BE STEPPED UP WITH THEME DIVERSITY

In the recent years, TSKB has been working to diversify the themes of the funds it secured. New themes such as women's employment and supporting companies in priority development regions affected by the influx of Syrians under Temporary Protection (SuTP), have been developed and added to TSKB's financing spectrum.

TSKB became the first Turkish Bank to provide Ministry of Treasury and Finance guaranteed loans from the CDB with a funding agreement signed with the China Development Bank in 2019. With these loan additional resources were provided for the manufacturing industry, SME, energy, infrastructure, health and education projects currently supported by TSKB.

The funds to be secured in the coming period are intended to support the Sustainable Development Goals (SDGs), especially in innovative renewable energy and clean production. On the other hand, it is foreseen that the new resources to be provided will be diversified around themes and in a way to support the financing of the targets set out in Turkey's New Economic Programme and development plans, as well as to address the demand of private sector companies operating in Turkey.

In 2020, in addition to securing direct credit lines, TSKB will continue to expand its cooperation with the development finance institutions in alternative areas such as co-financing projects in line with its funding diversification and product development goals.

The longstanding cooperation with the international initiatives such as IDFC, D20-LTIC, ELTI, UNEP FI and ADFIMI, which the Bank is a member of, will be maintained effectively and with efforts to create value in line with Turkey's goals and requirements. The aim is to implement pioneering practices in order to increase awareness in the sector by following global trends and good practices among these initiatives. In 2019, the Bank became a Founding Signatory of the Principles for Responsible Banking of UNEP-FI and has been elected as the 10<sup>th</sup> member of the Steering Committee of the IDFC, which it has been a member since 2011.

subordinated bonds, constituted a 22% share among TSKB's resources (excluding equity) with a total volume of USD1.3 billion.

**Syndication Loan Facility**

On July 9, 2019, TSKB signed a syndicated loan agreement with the participation of 12 banks including Citibank as a agent under the Coordination of Commerzbank. The syndication loan, amounting to USD 177 million, has a maturity of 367 days.

The loan was provided at a total cost of Libor+3%.

The Bank places importance on enriching its existing bilateral relations with domestic and international financial institutions and establishing new relations.

TSKB will continue to raise bilateral funding and structured finance facilities, by closely monitoring developments in the markets in 2020.

While developments in the markets will be closely monitored in 2020, the Bank will continue to evaluate the debt capital markets, syndication, bilateral loans, and structured borrowing opportunities in line with its cash flow management.



## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB became the first Turkish Bank to obtain loan by the China Development Bank under the guarantee of the Ministry of Treasury and Finance.

#### LONG TERM FUNDS SECURED BY TSKB 2014-2019

	Loan	Amount	Maturity
	Islamic Development Bank - Restricted Mudaraba Agreement	USD 220 million	15 year
	IBRD - Innovative Access to Finance Project Loan	USD 190 million and EUR 44.1 million	28 years
	Citibank - OPIC - SME, Energy Efficiency and Renewable Energy Loan	USD 40 million	4-8 years
	AFD - Sustainable Tourism and Innovative Energy Projects Loan	EUR 60 million	10 years
<b>2014</b>	EBRD - Resource Efficiency Loan	EUR 50 million	7 years
	Eurobond	USD 350 million	5 years
	KfW - Credit Line for Resource Efficiency and Environmental Measures in the Industry	EUR 150 million	12 years
	OeEB - Renewable Energy and Energy Efficiency Loan	EUR 20 million	12 years
	EIB - TSKB Energy and Environment Loan/A	EUR 100 million	12 years
	JBIC - Renewable Energy and Energy Efficiency Loan	USD 150 million	12 years
<b>2015</b>	EIB - TSKB Loan III for SMEs and Midcaps and Innovation/A	EUR 100 million	8 years
	Eurobond	USD 350 million	5 years
	IFC - Climate Smart Loan	USD 75 million	7 years
	IBRD - Geothermal Development Project Loan	USD 150 million	28 years
	KfW - Credit Line for Combat Against Climate Change	USD 150 million	15 years
	EIB - TSKB Loan III for SMEs and Midcaps and Innovation/B	EUR 100 million	8 years
<b>2016</b>	EIB - TSKB Energy and Environment Loan/B	EUR 100 million	12 years
	AFD - Women Employment and Occupational Health&Safety Loan	EUR 100 million	10 years
	CEB - SME Loan	EUR 100 million	7 years
	Eurobond (Green/Sustainable Bond)	USD 300 million	5 years
	TSKB Sustainable Tier 2	USD 300 million	10NC5
<b>2017</b>	IFC - Sustainable Climate Loan	USD 75 million	7 years
	EBRD - MidSEFF III (Mid-Size Sustainable Energy Financing Facility III) Loan	USD 85 million	7 years
	Eurobond	USD 350 million	5 years
<b>2018</b>	AIIB - Sustainable Energy and Infrastructure On-Lending Facility	USD 200 million	15 years
	IBRD - Inclusive Access to Finance Project Loan	USD 400 million	29 years
	CDB - Manufacturing sector, SME, Energy, Infrastructure, Health and Education Loan	USD 200 million	8 years
<b>2019</b>	AFD - Women Empowerment Loan	EUR 85 million	10 years

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TSKB extends SME loans which contribute to employment growth through commercial banks and financial leasing companies.

#### TSKB - APEX LOANS MAIN INDICATORS

Name of Program	Year	Amount Agreed	Number of Beneficiary Companies (As of 2019-end)	Current Status of the Program
<b>SME (Women Employment and Prioritized Regions)</b>				
Inclusive Access to Finance Project Loan (IncA2F)	2018	USD 200 million	109	Ongoing
<b>Supporting SME and Exports</b>				
Innovative Access to Finance Project Loan (IA2F)	2018	USD 250 million	33	Ongoing
Innovative Access to Finance Project Loan (IA2F)	2014	USD 250 million	231	Completed
<b>Supporting Exports</b>				
EFIL IV Supplementary Loan	2011	USD 300 million	137	Completed
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303 million	211	Completed
<b>SMEs</b>				
TSKB FUNDING**	2017	EUR 150 million	340	Ongoing
AKKB V APEX	2016	EUR 100 million	960	Completed
AKKB IV APEX	2013	EUR 100 million	416	Completed
AKKB III APEX	2010	EUR 100 million**	223	Completed
KfW APEX	2004	EUR 7.7 million	54	Completed
EIB APEX	2005	EUR 150 million	343	Completed

\*Part of the agreed amount (EUR 90.9 million) is extended as an APEX loan.

\*\*Re-disbursement of paid-back loans

#### THE LEADER OF APEX BANKING IN TURKEY

Being the pioneer of wholesale banking in Turkey, TSKB continued to transfer its thematic international wholesale banking funds to financial institutions in 2019. In addition to its existing cooperation with leasing companies and commercial banks under APEX banking, TSKB has also started to work with participation banks and factoring companies within the scope of the "Innovative Access to Finance Project Loan" (IA2F) secured from the World Bank in 2014.

TSKB completed the disbursements of the loan which was transferred by the Council of Europe Development Bank (CEB) under the same program in 2016 to finance

investments to create new employment opportunities and protect existing employment in micro, small and medium-sized companies.

In this context, 960 SMEs were indirectly provided funds through leasing companies.

TSKB re-disburses the successfully collected repayments of the past SME themed APEX loans, for creating funding to the leasing companies, commercial banks, participation banks and factoring companies. In this context, over the last three years, USD 230 million of funds from the loans collected were re-disbursed.



## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB started to transfer the part, amounted USD 200 million, of the Inclusive Access to Finance Project Loan (IncA2F) provided by the World Bank in 2018 to commercial banks and leasing companies as APEX loans.

So far, TSKB has carried out effective loan transactions in cooperation with 30 intermediary financial institutions under APEX banking. In 2019, the total of loans extended through APEX banking had reached USD 81 million and the share of such loans within the total portfolio stood at 8%.

#### Support to Exports

TSKB provided a total loan of USD 1.5 billion to approximately 900 firms under four different EFIL (Export Finance Intermediation Loan) programs and the IA2F program.

EFIL loans aimed to not only support operations to boost firms' exports but also create new business areas and increase employment. Under the "Innovative Access to Finance Project Loan (IA2F)" agreement, the working capital and investment expenditures of private sector SMEs and mid-size exporting companies operating around Turkey have been financed.

#### Support for Generating Employment

With the APEX loans, TSKB has provided a total loan of USD 300 million to 1,371 SMEs over the last three years. Thus, the total number of new employments generated amounted to 875.

TSKB carries the growth and development of companies to a higher level with its well-established Corporate Finance activities and reinforces its support for the country's development.

#### A STRONG START FOR 2020 WITH MORE THAN 10 PROJECTS

TSKB takes the growth and development of the companies to the highest level through its activities in the field of Corporate Finance. With its essential experience in this field, the Bank offers its clients fully fledged advisory and intermediary services on Initial Public Offerings, debt instrument issuances, mergers and acquisitions, asset sale and privatizations.

The CBRT's decision to cut the funding rate, the shift towards a perception of lower global risk and a decline in inflation had a positive effect in the markets in 2019. In the continuation of this environment, although a more active period is expected in the capital markets in parallel with the increase in investor risk appetite in 2020, the course of the BIST-100 index will have a clear impact on the initial public offering market. In this context, it is considered that 2020 will not prove a very productive year for medium- and large- size public offerings. Regarding mergers and acquisition transactions, both the number of transactions and ticket sizes decreased significantly in 2019, compared to the previous year.

In 2019, TSKB reorganized its Corporate Finance team and originated more than 10 new projects in various sectors as a result of its successful marketing activities. Corporate Finance team made a strong entrance to 2020 with one ECM and two M&A transactions.

TSKB Corporate Finance team has pioneered the establishment of Yatırım Varlık Kiralama A.Ş., a special-purpose company within the framework of CMB legislation, in order to act as lead arranger on Sukuk issuances. On December 27, 2019, Turkey's first sukuk issuance in natural gas distribution sector was successfully finalized at TL 150 million, exceeding the target issuance amount by 50%.

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Corporate Finance activities which require stable market conditions are expected to gain momentum, especially in the second half of 2020.

With the support of the dynamic and entrepreneurial marketing approach of the Corporate Finance team, 2020 is projected to be a productive year, both on the basis of successful completion of existing and newly acquired mandates.

### **A MAJOR PLAYER IN THE MONEY MARKETS AND CAPITAL MARKETS**

TSKB is an important player in the money and capital markets. Protectionist trends in international trade reflected worldwide since 2018 have raised global uncertainties and downward risks in the world economic outlook have been observed in 2019. With the resulting weakening of global growth outlook, inflation expectations have also come down. In such an environment, the central banks of developed countries continued to cut their interest rates and capital flows were observed to enter emerging markets, albeit to a limited extent. In Turkey, inflation came down rapidly, especially after the third quarter of 2019. In parallel with this, in the second half of the year the CBRT cut the policy interest rate, which it held constant in the first half of 2019 and decreased the policy interest rate from 24% at the beginning of the year to 12% in December.

In 2019, TSKB focused on maximizing returns, considering the risk factors of its balance sheet. On the other hand, the Bank offered the opportunity to protect corporations against financial risks with its derivative products.

### **A “Risk-oriented” approach in position and balance sheet management**

Thanks to its flexible balance sheet structure, TSKB has taken the utmost care in managing risks while increasing its revenues by correctly evaluating the opportunities created. The Bank successfully managed its foreign currency position, considering risk factors and market conditions within the framework of treasury policies.

Thanks to its flexible balance sheet structure, TSKB has taken utmost care in managing risks while increasing its revenues by correctly assessing the opportunities arised.

With the aim of contributing positively to profitability during the year, the average volume of short-term TL placements in markets such as the Takasbank Money Market and the BIST Debt Securities Market more than doubled compared to the average volume of the previous year.

In 2019, TSKB funded almost the entire TL securities portfolio with the Bank’s equity. In the same period, transactions in the swap market for TL-denominated liabilities management also became prominent. With the funding provided in this way, an effective cash flow management was realized and an advantage in total funding cost was achieved.

TSKB prefers to invest in risk-free and high-yield securities with eligible cash capital within the framework of its liquidity management plan. At the end of 2019, 68% of the Bank’s TL-denominated securities portfolio was comprised of CPI-Linkers and other floating-rate securities while 32% was comprised of fixed-rate securities. The TL denominated securities portfolio had a maturity of 2.2 years and an average return of 17.2%. On the other hand, with the Eurobond purchases carried out in 2019, the efficiency of the FX denominated securities portfolio was increased.

Market volatility increased the need for financial protection and the Bank’s proactive approach to its clients led to a successful performance in the volume of derivative transactions and treasury products sales. Daily bulletins, market reviews and a rich range of products are made available to clients.

In 2019, TSKB’s risk management activities gained importance, both through its own balance sheet management and through its clients’ derivative transactions. Careful liquidity management prevented the adverse effects of market fluctuations on the Bank’s balance sheet.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

#### VALUE-ADDED SOLUTIONS SHAPED BY AN ADVISOR BANK PERSPECTIVE

TSKB offers the business world and investors the required value-added services through advisory solutions driven by its expertise in not only investment banking but also financial and technical evaluation, economic research (see Delivering Expertise and Experience) and sustainable banking.

TSKB Advisory Services, offers a wide range of services under one roof as Business Development and Advisory Management Office, Economic Research, Financial Advisory and Engineering and Technical Advisory departments, with the aim of managing the Bank's accumulated know-how and experience in economics, finance and engineering fields in an effective and quality manner in the field of advisory, as well as transforming that experience into economic benefit and income diversification.

Through advisory services, TSKB aims to emerge as a long-term partner for its clients in line with its strategic goals.

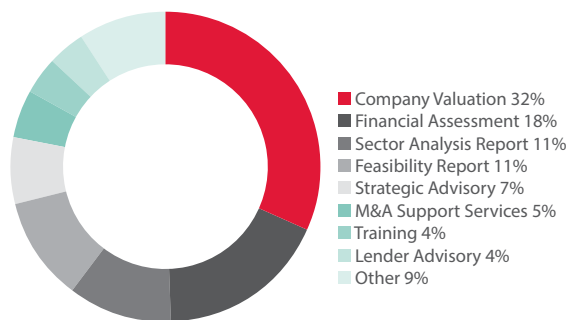
TSKB provides;

- **Financial analysis**, financial planning and strategy, M&A support, restructuring services and training services under strategic financial advisory,
- **Technical analysis and due diligence**, project management, energy and efficiency, operational excellence, environment, climate and sustainability advisory, within the scope of technical advisory
- **Macroeconomics**, export strategy, sectoral review, ESG advisory and training services within the scope of economic research.

The Bank carries out some of its services, which are shaped by its advisor bank approach, through synergistic cooperation with its subsidiary companies TSKB Real Estate Appraisal and Escarus. In this context, the Bank directs domestic and foreign investors with visionary advisory services offered in the field of real estate, while presenting tailor made solutions in the process of integrating world-accepted approaches in the field of sustainability into the Turkish business world.

177% surge in the amount of TSKB's advisory services contracts in 2019

#### ADVISORY CONTRACTS SIGNED IN 2019 BY PRODUCT TYPE



#### TSKB successfully completed 61 advisory projects in 2019

In 2019, TSKB undertook 61 advisory projects in different sectors and product types and successfully completed these projects.

There was a 177% increase in advisory services contracts in 2019 compared to the previous year. TSKB is determined to improve its advisory services in the coming period and to offer its experience and knowledge to an increasing number of clients with its multidisciplinary service strength.

By embodying its experience and knowledge with the consolidated and inclusive approach of its financial, technical and economic analysis competence, TSKB will continue to diversify its support for sustainable and strong development in the period ahead.

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## WORKING SIMULTANEOUSLY ON NUMEROUS STRATEGIC, IT AND PROCESS IMPROVEMENT PROJECTS

TSKB carried out works on digitalization, innovation, customer satisfaction, service quality and compliance within the framework of the corporate architectural principles and the targets set out in its strategic plan. Some of the highlights of these works are presented below.

R&D and project design studies regarding digitalization and innovation had been performed on the axes of organizational/ human resources, customer/ marketing, products/services and process/technology. Pilot applications had been implemented within the scope of robotic process automation (RPA). The projects identified for the implementation of the Agile Management Model were carried out with the agile working methodology. TSKB process management model and application has been revised in order to follow banking processes in an effective and integrated structure. Arrangements have been implemented in order to ensure that business continuity and emergency applications are more effective.

In the IT infrastructure, the spotlight has turned to new technology and integration projects which will support TSKB's strategic goals. With the application prepared with new software technologies, multi-dimensional monitoring of customer information was provided. A mobile application has been developed for sales teams. Infrastructure improvements in data warehouse and reporting systems, investments in information security, and improvements have been made in systems to prevent attacks and leaks.

TSKB will continue its R&D and project design works on digitalization and innovation in the coming period. Implementation and improvement of the Agile Management Model, the application of Robotic Process Automation for new subjects, implementation of dialogue-based robot infrastructure, infrastructure supporting mobility and computer transformations are among the planned activities.

TSKB's business processes will be adapted to the new model and improvements will be made in the light of the security in IT infrastructure and the use of new technologies. Revision studies based on new technologies will continue in banking applications. On the other hand, information security improvements are planned with the application of security solutions to prevent harmful software.

TSKB has carried out its efforts on digitalization, innovation, customer satisfaction, service quality and compliance within the framework of the corporate architectural principles and the targets envisaged in its strategic plan in 2019.

### Information Security Work

Within the context of Information Security works, the data classification solution had been applied to the entire Bank to increase the effectiveness of DLP systems. A special Cyber Intelligence Solution has been adopted for TSKB to tackle cybercrime and malware, and works on its integration with other security products are continuing.

Improvements in log management products will be carried out within the scope of the Cyber Incident Response Process. In order to increase the effectiveness of the security controls carried out during the year and to become more battle-prepared for ongoing attacks, efforts will be carried out to adapt the globally recognized security control sets to TSKB's systems.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

TSKB's total market capitalization has reached TL 3.4 billion (USD 573 million), marking an annual increase of 50%. Foreign investors had a 55% share of the Bank's actual shares in circulation.

#### TSKB STOCK PERFORMANCE AND INVESTOR RELATIONS ACTIVITIES IN 2019

Having been one of the key players in the formation of capital markets in Turkey, TSKB offered its shares to public in 1986. TSKB shares are listed on the BIST Stars under the ticker "TSKB". Furthermore, TSKB retains its position on BIST Corporate Governance Index and BIST Sustainability Index. TSKB's free float ratio is 38.6%.

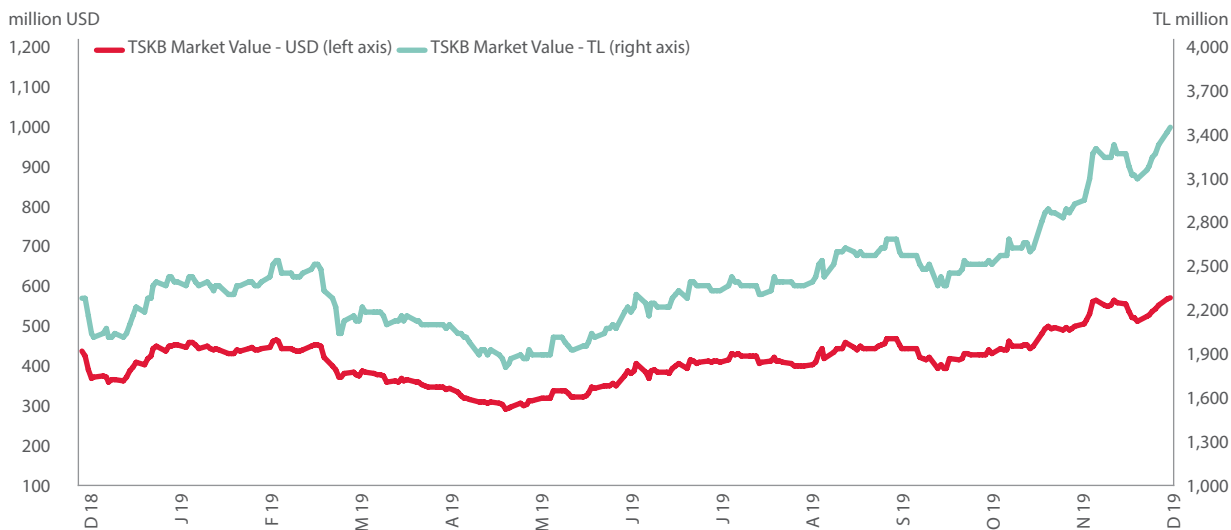
The Borsa Istanbul stock market rebounded after having tumbled in the first half of 2019 amid political uncertainties, with the support of the stabilization process in the economy and the expansionary monetary policy implemented by the CBRT in the second half of 2019. In 2019, BIST-100 index surged up by 25% to 114,425, while the banking index ended the year with a 36% jump to 160,169. TSKB shares, on the other hand, started the year at TL 0.81 level and surged by nearly 50% to TL 1.21 with a positive decoupling from the BIST-100 and the banking index.

TSKB shares recorded an average daily trading volume of 33 million lots. The Bank's total market capitalization was TL 3.4 billion (USD 573 million), with a foreign ownership ratio of 54.9% in its free float. As of the year-end, its price-to-book ratio was recorded at 0.69 and price-to-earnings ratio stood at 4.8.

TSKB is covered by 16 brokerage houses. Nearly 20% of the investors met throughout the year consisted of new investors. During the year, teleconferences informing investors and analysts continued to be held following the announcement of the financial results each quarter and questions were answered in detail based on a transparency driven approach. Investor presentations of TSKB are available on the Bank's website.

In line with market conditions, increasing the number of investor meetings is targeted for 2020. At the same time, efforts to enhance TSKB's recognition, visibility and liquidity in the market and to expand its investor base will continue within the framework of its investor relations activities.

#### TSKB MARKET CAPITALIZATION





	2016	2017	2018	2019
TSKB Closing Share Price (TL)	0.98	1.20	0.81	1.21
Change (%)**	10.7	23.0	-32.7	50
BIST Banking Index	129,549	171,378	117,737	160,169
Change (%)**	8.0	32.3	-31.3	36
BIST 100 Index	78,139	115,333	91,270	114,425
Change (%)**	8.9	47.6	-20.9	25.4
Relative to BIST Banking Index (%)	2.4	-7.1	-2.0	9.8
Relative to BIST 100 Index (%)	1.6	-16.7	-14.9	19.2

Source: Finnet

\*Retrospective closing prices are adjusted in line with the cash dividends and capital increase through bonus issues after the relevant dates

\*\*Year-to-date change



## FINANCIAL CAPITAL

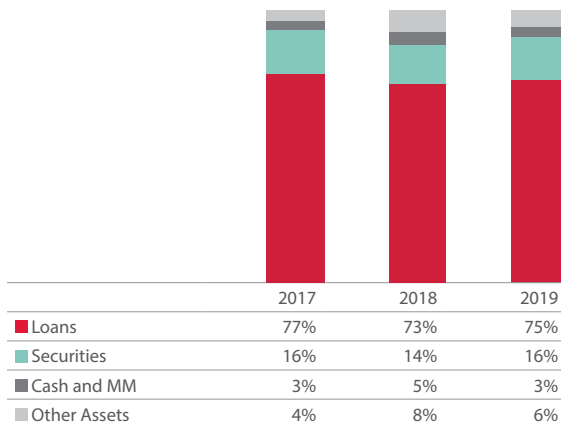
### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

#### ASSESSMENT ON FINANCIAL STANDING, PROFITABILITY, SOLVENCY & 2020 FINANCIAL PROJECTIONS

In 2019, TSKB focused on maintaining its healthy balance sheet structure, effective risk and liquidity management, and strong equity growth, in addition to continuing to support the country's economy. The Bank's total assets grew by 9.7% in TL terms reaching TL 42 billion. The asset size in dollar terms stood at USD 7.1 billion as of the same period. 23% of the Bank's assets are in Turkish Lira and 77% are in foreign currency (FX). The Bank's interest-bearing assets to total assets ratio standing at 92% indicates strong solvency of the Bank.

In 2019, the Bank continued to support major investments in the Turkish economy by allocating a total of USD 1.4 billion of new loans, USD 650 million of which is cash loans. Parallel to the Bank's funding structure, 90% of Bank's loan portfolio is comprised of FX loans. The cash loan portfolio, which grew by 12.5% in 2019 to TL 31.4 billion, remained flat on an FX adjusted basis. The share of gross loans in total assets has risen to 74.8% as of 2019 year-end compared to 72.9% as of 2018 year-end.

#### TSKB'S ASSET COMPOSITION



The share of sustainable loans in TSKB's total loan portfolio is 74%.

Investment loans account for 70% of the Bank's loan portfolio and 22% correspond to working capital loans, in line with the Bank's mission banking. The rest was comprised of loans extended through wholesale banking (APEX Banking). Within the total loan book including FX-Indexed loans, 48% was denominated to Dollars and 42% to Euros.

Electricity generation and distribution projects stood out among new loan disbursements of 2019. A sectoral breakdown of loans indicated that 36% and 14% of loans were allocated to the electricity generation and finance, respectively. The metal and machinery, electricity and gas distribution, logistics, chemistry and plastics, construction, tourism, real estate, food-beverage and the education and health sectors are evenly distributed with each sector accounting for 3-9% of the loans. Energy and resource efficiency projects had a 5% share in the Bank's total loan portfolio. The share of sustainability themed loans in the total loan portfolio was 74%.

In accordance with the Regulation on Procedures and Principles for Classification of Loans and Provisions to be set aside, the share of Stage 3, 4 and 5 loans, which were classified as non-performing loans in total loans averaged 0.3% in 2013-2017 and stood at 2.1% as of 2018 year-end and 3.5% as of 2019 year-end.

In 2019, the surge in non-performing loans was due to the transfer of one project finance loan, which had been followed in the stage 2 loans in the previous periods, to the stage 3 loans due to the longer than expected restructuring process. With respect to that particular loan, the syndication banks and the independent advisor came to a final stage at the restructuring process, and the letter of offer was signed in December. The ratio of stage 2 loans was 10.8% as of 2019 year-end. Within the scope of Restructured Loans Management, the Bank's loan risk amounting to USD 538 million in 20 companies belonging to 13 groups was restructured in 2019.

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The Bank was focused on enriching its relationships with international banks in line with its funding diversification and product development targets in 2019.

#### CREDIT PORTFOLIO BY THE END OF 2019 ACCORDING TO IFRS

	Share in Total	Coverage Ratio
Stage I	85.7%	0.6%
Stage II	10.8%	10.3%
Stage III	3.5%	32.1%
Total	100.0%	2.8%

The Bank's provisioning policy is in line with IFRS 9 Principles, which were started to be implemented at the beginning of 2018. Coverage ratio of stage 2 loans, which have a 10.8% share in total loans, was 10.3% on average. Coverage ratio of stage 3 loans, which had 3.5% share in the total portfolio, was 32.1% on average.

The securities portfolio had the second largest share in assets after loans with a 16% weight. The total volume of securities rose by 21.4% year-on-year to reach TL 6,651 million. At the end of the year, 67% of the securities portfolio was comprised of TL securities, 61% was made up of securities available for sale and 39% was comprised of securities held to maturity. A comparison of the beginning of the year with the year-end indicates that the percentage of "Inflation-Indexed Securities" in the TL portfolio increased from 47% to 54%, while the weight of total "Floating Rate Securities" including CPI-linkers rose from 67% to 73%. The duration of the portfolio, which is almost entirely funded by Bank's free equity, is 2.3 years.

Parallel with the asset composition, 82% of the liabilities of the Bank's balance sheet consist of FX liabilities. Funds received reached TL 26,347 million, expanding by 11.8% year on year. Almost all of this funding consists of medium-and long-term funds provided from abroad in foreign currency. 73% of this funding were secured with the guarantee of the Turkish Ministry of Treasury and Finance.

The Bank focused on enriching its relationships with international banks in line with its funding

diversification and product development targets in 2019. A loan agreement amounting to USD 200 million was signed with the CDB to finance manufacturing, industry, SME, energy, infrastructure, health and education projects throughout Turkey, under the guarantee of the Turkish Ministry of Treasury and Finance.

Meanwhile, a loan agreement was signed with the AFD amounting to EUR 85 million, along with financing investments made by companies in Turkey that promote gender equality in the working environment and support women's participation in employment. A Risk Sharing Facility was signed with the EBRD allowing up to USD 50 million of co-financing with TSKB.

A syndicated loan agreement amounting to USD 177 million was signed on July 9, 2019 with the participation of 12 banks from 12 different countries. The redemption of the Bank's USD 350 million Eurobond issuance was realized in October 2019. In the first days of 2020, TSKB issued a Eurobond in the international capital markets with the size of USD 400 million which was 10 times oversubscribed.

The Bank does not carry interest mismatch or liquidity imbalances, given the dominating share of floating rate assets and liabilities in the balance sheet not expose to effective balance sheet management and relatively longer maturity of its funding compared to its loans. Due to matched currency structure of the loans extended and funding that is used to extend these loans, the Bank bears a negligible currency risk.

## FINANCIAL CAPITAL

### 2019 FINANCIAL PERFORMANCE AND 2020 PROJECTIONS

**20.1%** TSKB's shareholders' equity expanded by 20.1% to TL 5.7 billion compared to the previous year.

**17.8%** TSKB's capital adequacy ratio stood at 17.8% on a bank-only basis and 17.4% on a consolidated basis.

TSKB's shareholders' equity went up by 20.1% compared to the previous year to TL 5,667 million and its share in the total liabilities surged from 12.3% to 13.5%. As of 2019 year-end, the capital adequacy ratio (CAR) was 17.8% on a bank-only basis and 17.4% on a consolidated basis. These levels are well above the legal limit of 12%. TSKB's tier-1 ratio was 12.4%.

The Bank's free equity, which is entirely consist of liquid assets, amounted TL 4.1 billion, indicating a free equity-to-total assets ratio of 9.7% as of 2019 year-end.

An analysis of the Bank's Income Statement finds that net interest income in 2019 marked an increase of 10.2% to TL 1,932 million. The net interest margin edged down from 4.6% to 4.2% in 2019 in line with the budget estimates due to the significant changes in the USD / TL exchange rate, interest rates and inflation figures, as well as contraction in the CPI linkers' income. Total personnel and other operating expenses rose by 23.8%

to TL 201.5 million. Although the cost to income ratio was lifted from 10.8% to 13.4%, it was maintained well below the sector average of around 35%.

The total sum of donations and charity undertaken by the Bank during the year amounted to TL 180,400. Total expenses incurred for the social responsibility projects stood at TL 637,600.

TSKB's profit before provisions and tax in 2019 fell by 4.1% to TL 1,353 million, while its net profit surged up by 6.2% to TL 702 million given the 8.4% contraction in provision expenses. In 2019, Bank's return on equity and return on assets stood at 13.5% and 1.8% respectively. The Bank's return on tangible equity is calculated as 16.1% when the shareholders equity is adjusted by excluding the impact of mark-to-market valuations of its listed affiliations.





## FINANCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



	2019 Guidance	2019 Figures	2020 Guidance
<b>Financial Guidance (Bank Only) (%)</b>			
FX Adjusted Loan Growth	Flat	<b>Flat</b>	3.0-5.0
Loan/Assets Ratio	~75	<b>75</b>	~75
Fees&Commission Growth	>35	<b>57</b>	>50
OPEX Growth	<25	<b>26</b>	<20
Net Interest Margin (adj.)*	~4	<b>4.2</b>	~4
Return on Tangible Equity**	14-15	<b>16.1</b>	>16
Return on Assets	1.5-1.7	<b>1.8</b>	1.7-1.9
Cost/Income Ratio	13-14	<b>13.4</b>	<15
Capital Adequacy Ratio	>15	<b>17.8</b>	>18
Tier I Ratio	-	<b>12.4</b>	>12.5
Stage II Loans Ratio	-	<b>10.8</b>	Flat
Loans in Follow-Up	<5	<b>3.5</b>	<3.5
Net Cost of Risk	~130 bps	<b>126 bps</b>	<100 bps

\*Swap adjusted.

\*\*Tangible Equity(TE) = Shareholders' equity – MtM valuations of FVOCI portfolio

TSKB targets fx adjusted loan growth of 3% -5% in 2020. In parallel, the share of loans to its assets is expected to remain at 75%.

**3%-5%**  
FX adjusted loan growth

**75%**  
Loans to assets ratio

As a result of the organizational changes carried out last year, TSKB aims to increase the fees and commissions income by more than 50% with the support of the Bank's advisory activities, which gained importance in its service range.

Advisory services gaining importance

**+50%**  
Fees and commission growth

Thus, TSKB aims to have return on assets of 1.7%-1.9% and return on tangible equity of more than 16%. The NPL ratio, which was 3.5% in 2019, is expected to fall below this level.

**1.7%-1.9%**  
Return on assets

**+16%**  
Return on tangible equity

# CAPITALS

## HUMAN CAPITAL



### TSKB'S EMPLOYEES AND ALL ASSOCIATED STAKEHOLDERS WITH WHOM IT COOPERATES CONSTITUTE ITS HUMAN CAPITAL

#### THE BUILDING BLOCK OF SUSTAINABLE PERFORMANCE

Competent human resources are one of the most important factors ensuring that TSKB's strong performance is sustainable.

In order to ensure business processes are even more effective, the Bank conducts regular activities on many issues in the field of human resources ranging from continuous development, measurement-evaluation-rewarding systems and strengthening career architecture to recruitment, vocational and managerial training programs, various open communication channels with employees and strong employer brand studies.

#### In this section

Investing in Human Resources  
The TSKB Technology and Entrepreneurship Platform  
Reverse Mentoring and Young Consultants to the CEO  
Strong Employer Branding  
Sustainability Workshop  
Training Programs at TSKB  
Become a Partner to the Future Program  
Investment in Human Resources

#### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS HUMAN CAPITAL



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## HUMAN RESOURCE DEVELOPMENT IN 2019

In 2019, an agile work methodology was applied in three trials in addition to the goal of ensuring human resources work more efficiently.

### Human resources projects in 2019

Within the scope of consultancy received in 2018, an interactive methodology was established in performance management system which aims to increase harmony between business lines and cooperation with corporate goal system. TSKB tried to make sure the key performance indicators provide the link from organizational vision to individual action where KPIs cascade each respective level in Bank, accelerating from the Corporate Score card and affecting all employees individual score cards. With the balanced score card methodology, strategic management performance metrics are used to identify and improve various internal business functions and their resulting external outcomes is aimed with numerical and measurable key performance indicators throughout all the departments.

The competencies were withdrawn from the performance system and integrated into the career development model.

360 Degree Feedback Survey is based on a competency model consisting of three levels from a variety of points: Basic, Managerial and Functional. This model gives feedback for developmental purposes, providing it to employees to assist in developing work skills and behaviour patterns. Therefore, all the employees were expected to prepare a behaviour-oriented development plan regarding these feedbacks and to focus on developing at least two competencies. This study helped expand the competence-based concrete feedback culture in the Bank.

In this respect, the Bank defined each skill title and completed each employee's mapping. While the Technical Knowledge and Skills Library is supported and followed by employees' horizontal career movements, it has been put into practice to determine the development and technical training needs of the employees.

In 2019, within the scope of TSKB's organizational development plans, potential evaluation inventories including their readiness for one step forward and leadership assessment questionnaires were filled by all banking staff. In the following process, 360-degree feedback assessment survey was completed by the managers considering the succession plan and in aim to develop his/her successor.

After all the assessments and evaluations, all TSKB employees got feedback during one-to-one interviews regarding their competencies, potential and strengths; where the basis for the Individual Development Plans has been established. In the final stage, TSKB employees, together with their managers have determined two competencies for their development and are ready to participate in customized competency-based development plans.

With the all evaluations and assessments, TSKB in the human resources constitute an input for 9 box (performance and potential matrix) studies. With the 9 box chart, TSKB examines talent within the organization and gains a perspective of looking at the relationship between the performance of individuals and their potential for the future and succession plans.

The Internal Transfer Project, which supports horizontal career movements within the scope of providing technical knowledge diversity and the opportunities for career moves, offered 29 employees the opportunity for different roles in other departments, and the Rotation Project gave two employees the opportunity to gain experience for a specific period in different departments.

Since 2017, volunteer HR Representatives in every department have been communicating their opinions and feedbacks to the HR department and acting as a bridge in the transparent transfer of HR practices to the teams. Periodic meetings with HR Representatives to transfer the questions, opinions and feedbacks of the departments continued in 2019. The TSKB Human Resources team liaises with the departments separately and will continue to inform all departments of human resources functions, standards and new practices in 2020.

To strengthen teamwork and cooperation, outdoor training activities were conducted among the departments that ranked below the average within the scope of the internal Customer Satisfaction Survey.

## HUMAN CAPITAL HUMAN RESOURCE DEVELOPMENT IN 2019



### Flexible Working Hours and Remote Work models

In order to adapt to changing working conditions and to improve efficiency, a Flexible Working Hours Model started to be implemented throughout the Bank since January 2019. The flexible working utilization rate at the Bank is 70%. The remote work model, which was launched as a trial in December among research departments, is planned to be rolled out across the Bank in 2020.

### Working towards an agile organization

In 2019, the agile work methodology was applied in three trials, to complement the goal of human resources to work more efficiently. It is seen that agility, which is a working method, is reflected in our business as flexibility, efficiency, speed, ability to learn and result-orientedness. The organizational agile transformation strategy and objectives were transferred to the senior management and HR representatives in order to spread the agility culture. In addition, business units in agile projects participated in various training programs. TSKB aims to expand the agile culture within the Bank and increase the number of agile projects with volunteer Agile Coaches in 2020.

### TSKB Technology and Entrepreneurship Platform

The TSKB Technology and Entrepreneurship Platform, which was established in 2018 in cooperation with the Turkey Entrepreneurship Foundation, with the aim of keeping up with the rapid change taking place in the world and developing new ways of doing business and innovative perspectives, brought together the expert banking experience of young and innovative bank employees under the age of 30 years with the entrepreneurial spirit and excitement of representatives from the Entrepreneurship Foundation. A total of 11 different teams and respective projects were arised.

The journey started with the Entrepreneurship Day in November 2018 with the participation of TSKB employees, angel investors, entrepreneurs and Entrepreneurship Foundation representatives. The project teams participated in training programs on different thinking techniques and working models throughout the studies.

After 6 months, the number of project groups was reduced to 8 following the preselection screening by the Entrepreneurship Foundation authorities. Three projects were deemed worthy of awards after presentations carried out by eight different



TSKB is engaging with young talents at a very early stage of their career, at their university years. After their graduations, best talents among interns who had a real work experience in TSKB, have chance to be recruited as junior associate.



teams on various themes such as infrastructure, transportation, education, innovative retail solutions, waste management, sustainability rating platform, and the platform of bringing entrepreneurs and investors together.

#### Projects Worthy of Award within the Scope of the Platform

- Inovasyonix, which is designed to provide intra-organizational entrepreneurship as an online and offline 15-week long training and start-up development program.
- Symbiot, which provides physical data and digital data to produce innovative retail solutions, and offers customer-specific personalized analysis
- The Sustainable Development Goals Rating Platform, which aims to provide a transparent flow of information between the producer and the consumer, from the production process to the end consumer, with the certificate it has issued.

The Sustainable Development Goals Rating Platform project continues within TSKB with an expanded team.

In addition to developing projects within the scope of TSKB Technology and Entrepreneurship Platform, TSKB hosted two entrepreneurs in 2019 in the series of inspiring speeches.

#### Reverse Mentoring and Young Consultants to the CEO

The Reverse Mentoring and Young Consultants to the CEO projects which were launched in 2018 continued



in 2019 as well. Within the scope of the projects aiming to make mutual learning be continuous and enable leaders and senior managers to stay in touch with their organisations and the outside world. Also, junior employees have an opportunity to understand and be heard by more senior and experienced people. Three Young Consultants team, who regularly meet with the CEO of TSKB, Suat İnce, share their opinions and advises on chosen trends and topics all over the world such as Fintech, Data Culture, Archiving and Increasing Digitalization.

#### Strong Employer Branding

In 2019, within the scope of Strong Employer Branding activities, TSKB employees participated in various courses and programs at eight different universities and presented TSKB. These TSKB employees transferred their technical know-how during the courses, and also shared their experiences about how they reflected the academic knowledge into daily business.

#### Sustainability Workshop

TSKB has been bringing together university students with members of the academia, TSKB, and Escarus employees and organizing the "Sustainability Workshops", which is the first literacy program on sustainability, and aims to raise sustainability awareness, in cooperation with Escarus, the Bank's subsidiary. Students from various departments such as business administration, economics, architecture and industrial engineering participated in the workshop which was held in Özyeğin University in 2019.



## HUMAN CAPITAL HUMAN RESOURCE DEVELOPMENT IN 2019

The 2019 theme of the Sustainability Workshop was "Climate Change and the Business World: Risk or Opportunity for Companies?". During the workshop, university students or, in other words, future decision-maker carried out case studies in the leadership of expert participants from the TSKB and Escarus, addressing the issue of sustainability.

### Interaction with Young Talents

TSKB is engaging with young talents at a very early stage of their career, during their university years. Providing university students with long-term internship opportunities, TSKB offers trainees the opportunity to start working as junior associate after their graduation.

After the internship period, which is very similar to real work experience, interns have the chance to start working as a junior associate upon graduation. After their graduations, best talents among interns who had a real work experience in TSKB, have chance to be recruited as junior associate.

### Update on the Training Catalogue

Until the year 2019, the objective of the catalogue training was to support the competency development of competency of the employees. With the new approach in 2019, competency development has been made the subject of individual development plans with scope of organizational development activities.

The focus of the Training Catalogue, which is one of the most important tools of the continuous development goal, has been updated and enriched with trend issues such as Mindfulness, Mind Mapping, Networking, which the employees will benefit in daily life as well as in business life.



TSKB will resolutely sustain investments in its human capital and its multidimensional development in the upcoming period within an approach considering the requirements of the Bank's corporate strategy.

### Strengthening the TSKB family with the participation of 47 new employees

Within the scope of the recruitment activities carried out in 2019, a total of 47 new employees, including 11 new graduates and 36 experienced employees, joined the TSKB family. Additionally, 15 interns were hired for part-time internship program.

### Bonus payments to employees

Bonus payments are made once a year on the condition that the strategies and long-term objectives of TSKB are adhered to, and risk management structures are taken into consideration. To this end, a gross incentive bonus of TL 11,969,268 was paid to 243 employees in 2019 for their 2018 successful performance results evaluated by TSKB Performance Management System.

### Highlights from the 2020 human resource targets

TSKB will resolutely sustain investments in its human capital and its multidimensional development in the upcoming period within an approach adhering to the requirements of the Bank's corporate strategy.

The steps to be taken in this context are as follows;

- To adapt the results obtained from four main systems (Performance Management System, 360 Degree Feedback on Competencies, Technical Knowledge Skill Management and Potential System) to the Bank in a short space of time and most efficiently,
- To simplify HR processes and increase their visibility and effectiveness,
- To provide a modern, contemporary infrastructure and mobile&desktop applications that will have an integrated structure in all HR related platforms of employees,
- To invest in HR applications software to boost a culture of feedback and open communication while making it available to TSKB employees in 2020.

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TSKB offers various programs at all levels to develop their managerial skills and prepare its employees for the future.



### TRAINING PROGRAMS AT TSKB

TSKB aims to provide the development of its employees with tailored training programs.

In line with this goal, the Bank carries out various training and development activities in order to improve both technical and professional knowledge of its employees as well as their personal skills and competencies. The average training time per employee was 39 hours in 2019.

Training programs are offered to TSKB employees on various topics in addition to trainings which are mandatory to be provided, as well as technical and vocational training. Orientation and mentoring system processes are implemented in order to ensure that employees who are new to TSKB are able to adapt to the organization rapidly.

TSKB offers its employees a range of different programs each level in order to improve their managerial skills and get them ready for the future. In this context, one-to-one coaching is provided for department managers and training programs are held abroad to improve leadership skills. "Leaderships Acceleration and Development" was one of the most important themes in development planning in 2019.

### THE "BECOME A PARTNER FOR THE FUTURE" PROGRAM

Following the potential evaluation and 360 Degree Feedback Assessment studies carried out in 2019, TSKB will ensure learning becomes continuous in 2020 with the motto "Become a Partner to the Future", and will

begin its journey of development that has a widespread and integrated structure.

Under this program, department heads will be included in the Leadership Development Program, senior managers and managers will be included in the Managerial Development Program, and the senior manager and the rest of the banking staff will be included in the Competency Development Program.

This program, prepared within the framework of the "Learning Agility" theme, which is main concept of the competencies, will be mandatory for sub-managerial titles and will be accessible to all title groups. A holistic development-learning model will be implemented within the scope of the program, where a transfer of information is provided through online information, pre-tests and post-tests, action studies and also with practical in-class, face-to-face workshop trainings.

Within the scope of organizational development activities at TSKB in 2020, high-potential and high-performance employees will be supported with leadership-based studies; technical training abroad for experts, and remote learning training for all employees. Within the framework of the Individual Development Plans which will be prepared for employees, training programs are also designed to provide competency development as well as technical and professional development.

### Employee Engagement and Satisfaction is the Priority

TSKB believes that the most successful business development is carried out through the observations and evaluations of the people in an institution. For that purpose, employee satisfaction surveys are conducted periodically at TSKB.

With these surveys, TSKB regularly measures the level of satisfaction and engagement of its employees and takes action in line with its improvement goals by providing a routine platform where its employees are able to submit their thoughts and feedbacks.

In 2019, 322 people responded to the employee engagement and satisfaction survey. The survey participation rate was 87%. In 2018, 329 people

## HUMAN CAPITAL HUMAN RESOURCE DEVELOPMENT IN 2019

had responded to the employee engagement and satisfaction survey with a participation rate of 85%.

TSKB's efforts to improve employee engagement are also reflected in the survey results.

The following points were noted when comparing the surveys for 2018 and 2019;

- Employee engagement increased by 1.8 percentage points in the last one year.
- Job satisfaction reached the highest score in both years.
- There was an increase in the career planning score, which was one of the weakest areas in 2018. Career planning was also the area to record the most progress compared to the previous year.
- The second most significant increase in progress compared to the previous survey was trainings and professional/personal development.
- An improvement was observed in almost all fields, including career planning, collaboration and teamwork, inter-departmental communication and performance management, which were identified by HR as priority development areas for 2019.

- The systematic studies and professional consultancy which TSKB has implemented since 2017 supported the emergence and acceleration of leaner and more transparent results in these areas.

As a result of the workshops, the competencies were rewritten, removed from the performance system and made a component of development. As a result of this study, the TSKB Performance System now has a structure consisting of more measurable targets.

Implementing practices on an egalitarian basis without taking any differential approach in human resources processes, TSKB continues to be a pioneer in the financial sector, having published its Equal Opportunity Policy at the beginning of 2019.



To access the policy text:

[http://www.tskb.com.tr/i/assets/document/pdf/TSKB\\_Equal\\_Opportunities\\_Policy.pdf](http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf)

### TSKB AND ITS SUBSIDIARIES - MAJOR DEMOGRAPHICS

Number of Employees - As of 31.12.2019	TSKB	TSKB Real Estate Appraisal	TSKB GYO	Escarus	Yatırım Finansman
<b>Female</b>	174	45	6	7	56
<b>Male</b>	148	56	4	4	65
<b>21-30 (years of age)</b>	89	39	3	4	30
<b>31-40</b>	156	58	5	4	36
<b>41-50</b>	66	4		3	50
<b>51+</b>	11		2		5
<b>Headquarter</b>	320	56	10	11	78
<b>Branch</b>	2	45			43
<b>Elementary School</b>					2
<b>High School</b>	1	10	1		2
<b>College</b>	3	8			2
<b>University</b>	204	70	7	3	93
<b>Masters</b>	112	13	2	7	21
<b>PhD</b>	2			1	1

## HUMAN CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



2019 Targets	2019 Realizations
In 2019, the scope of the Development Workshop is planned to be redesigned with a focus on leadership development.	<b>In 2019, Potential Evaluation and 360 Degree Feedback Survey covering all Bank staff were carried out.</b> The results have served as a valuable input for development planning and training programs.
Starting in 2019, the scope of the work will be expanded in the form of the creation of personalized development plans. The process will progress with a comprehensive development follow-up and the work on training catalogue will continue with the perspective of keeping employees up-to-date on the subjects and topics that are trending around the world.	<b>Competency development and training in this scope are included in Organizational Development Studies. Competence development activities are carried out through inventory studies and individual development plans.</b> Competency choices were made and their designs were completed in 2019. The Competency Development Program will take place in 2020.  <b>In 2019, the training catalogue was renewed with trending topics which will benefit daily life as well as business life, and was offered to all employees under six different training titles.</b>
In 2019, strong employer branding activities will continue on various platforms in regarding the recruitment of fresh graduates.	Within the scope of strong employer branding activities, TSKB members visited eight different universities in 2019. Providing university students with long-term internship opportunities, TSKB offers trainees the opportunity to start working as junior associate after their graduation.
Executive candidates are planned to participate in training programs such as "Basic Occupational Health and Safety", "Sustainability", "Corporate Governance, Ethics and Tackling Corruption and Bribery", "Business Continuity", "Prevention of Laundering Proceeds of Crime and Financing of Terrorism", "Personal Data Protection", "Competition Law", "Risk Management" and "Information Security Awareness" in addition to vocational training related to banking, conducted by internal and external trainers.	<b>In line with the recruitment policy, inexperienced employees were recruited at various times in 2019.</b> In this context, training was provided on an individual basis or collectively depending on need, rather than through a common program.
Implementation of the Development Programme (coaching and training abroad programmes) structured for managers will continue in 2019 and 2020.	The structured development program for managers continued in 2019.

HUMAN CAPITAL GOALS AND KEY PERFORMANCE INDICATORS



2019 Other Performance Indicators

The TSKB Technology and Entrepreneurship Platform was established to encourage entrepreneurship culture within the Bank and the first term was completed.

In 2019 preparations for the training platform were completed to support the development of the entire Bank’s staff with the integrative learning methods.

In 2019, the remote working model started to be tested and will be rolled out across the entire Bank in 2020.

In 2019, Robotic Process Automation (RPA) tests were undertaken.

The TSKB Technology and Entrepreneurship Platform was established to encourage entrepreneurship culture at TSKB and the first term was completed.

**49%**  
The ratio of women in management ✓

**54%**  
The ratio of women among total employees ✓

**18%**  
The ratio of women on the Board of Directors ✓

**79%**  
Employee engagement score

**39 hours**  
Training per employee ✓

**2%**  
High performance employee turnover rate\*

**87%**  
Participation rate in employee satisfaction survey ✓

**2% increase**  
The increase in employee loyalty, performance management, training and development satisfaction rate in the Employee Satisfaction Survey when compared to 2018

\*Turnover rate among high performance employees.



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## Future Targets

**An increase in employee efficiency** by conducting R&D and project design studies on digitalization and innovation throughout TSKB.

The Bank aims to enrich Robotic Process Automation with new processes in 2020.

The Bank aims to spread the agility culture throughout the Bank in 2020 with volunteer Agile Coaches from within the Bank and to increase the number of agile projects.

In 2020, HR Applications software will be purchased to offer a modern, contemporary infrastructure which will be used by employees, will manage processes in an integrated structure and embed a culture of feedback and open communication.

**Increase our employees' engagement** through training and development programs and alternative projects in line with their competencies and potentials.

In 2020, the Bank aims to start international and/or domestic programs and one-to-one coaching activities selected from high-reputation institutions on leadership for those employees with high potential and high performance.

In 2020, under the new development program program, managers will be included in the "Leadership Development Program", senior managers and managers will be included in the "Managerial Development Program", and senior managers and the rest of the banking staff will be included in the "Competency Development Program".

The Bank aims to adapt the results of the four main systems consisting of the Performance Management System, the 360 Degree Feedback Survey, Technical Information Skill Management and Potential System to the Bank in the most efficient way in 2020.

**To increase the motivation of employees to innovate** in different fields of interest and subjects.

**Maintaining our focus on equal opportunity** across the Bank



# CAPITALS

## NATURAL CAPITAL



### THE POSITIVE AND/ OR NEGATIVE IMPACTS OF THE BANK'S OPERATIONS ON NATURAL RESOURCES CONSTITUTE TSKB'S NATURAL CAPITAL.

#### A PROCESS THAT BEGAN IN THE NEW MILLENIUM

TSKB's prioritization of natural capital elements began in the early 2000s with the integration of the concept of sustainable banking in the Bank's activities.

TSKB's external impact assessment process and methodology provide added value to the institution, society and the environment in the areas outlined below.

- Increasing renewable energy investments in the country
- Reducing carbon emissions and energy needs through efficiency loans
- Raising awareness among all stakeholders, especially clients
- Providing a positive impact to the country and society with the positive contributions of financed projects to the environment and social life
- Strengthening the Bank's sustainable banking image
- Regular measurement and reduction of effects out of our internal process

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#### In this section

Sustainability Management System

Sustainability Policy

Sustainability Organization

Initiatives supported by TSKB

The ERET Model

Zero Carbon Banking

TSKB and Climate Change - Risks, opportunities and management approach

Internal impacts - Key indicators

Risks identified by TSKB regarding climate change

#### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS NATURAL CAPITAL





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## THE TSKB SUSTAINABILITY MANAGEMENT SYSTEM

TSKB supports Turkey's sustainable development with its products and services.

### AN EFFECTIVE MANAGEMENT SYSTEM COVERING ALL OF TSKB'S BUSINESS PROCESSES

In parallel with the development of the concept and perception of sustainability throughout the world, TSKB has achieved a first in the Turkish market and adopted sustainability from its mission to its business model and processes from end to end.

TSKB supports Turkey's sustainable development with its products and services. In this context, the Bank has structured its Sustainability Management System (SMS) to cover all its business processes in order to reduce the environmental and social impacts as a result of its banking activities and support the Turkey's transition to a low carbon economy.

### The Sustainability Policy forms the basic framework of the TSKB SMS.

TSKB published its Environmental Policy in 2006. In 2012, the Bank expanded the scope of the Environmental Policy and revised it as Sustainability Policy.

As of the end of 2019, the TSKB SMS is managed under the Sustainability Policy dated February 26, 2015.

The Bank supports the Sustainability Policy with complementary policies. In the annex of the TSKB Environmental and Social Impact Policy, one of the complementary policies, the Unfunded Activities List, was published and the sectors which TSKB does not finance on behalf of responsible banking are listed.

TSKB published the Climate Change Declaration in 2016. The declaration sets out how TSKB's main activities are consistent and managed with the climate change strategy.



TSKB SUSTAINABILITY POLICY  
<http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy>

### TSKB'S SUSTAINABLE BANKING POLICIES

#### TSKB SUSTAINABILITY POLICY

##### Complementary Policies:

- TSKB Environmental and Social Impact Policy List of Activities That Are Not to be Financed
- TSKB Occupational Health&Safety Policy
- TSKB Human Rights Policy
- TSKB Sustainable Procurements Management Policy
- TSKB Anti-Bribery and Anticorruption Policy
- TSKB Anti-Bribery and Anti-Corruption Program

### SUSTAINABILITY COMMITTEE

All sustainability work across the organizational structure is managed by the Sustainability Committee, which is comprised of three Board Members and three Executive Vice Presidents. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.

### For more inclusive, effective and synchronized results

In 2019, a structural change was made in the management of the TSKB Sustainability Committee. In this context, the Executive Vice Presidents of the Bank's main activities, such as Project Finance, Corporate Banking, Corporate Communication, Credit Allocation and Monitoring, Budget Planning, Financial Institutions and Development Finance Institutions were selected as Committee members.

This structural change was aimed at planning and managing the Bank's basic strategies and targets, and ensuring the Committee's work and objectives were more inclusive, effective and synchronized.

The activities of the Sustainability Committee are supported by the Sustainability Subcommittee and working groups, where representatives from different departments of TSKB are active members.

# NATURAL CAPITAL

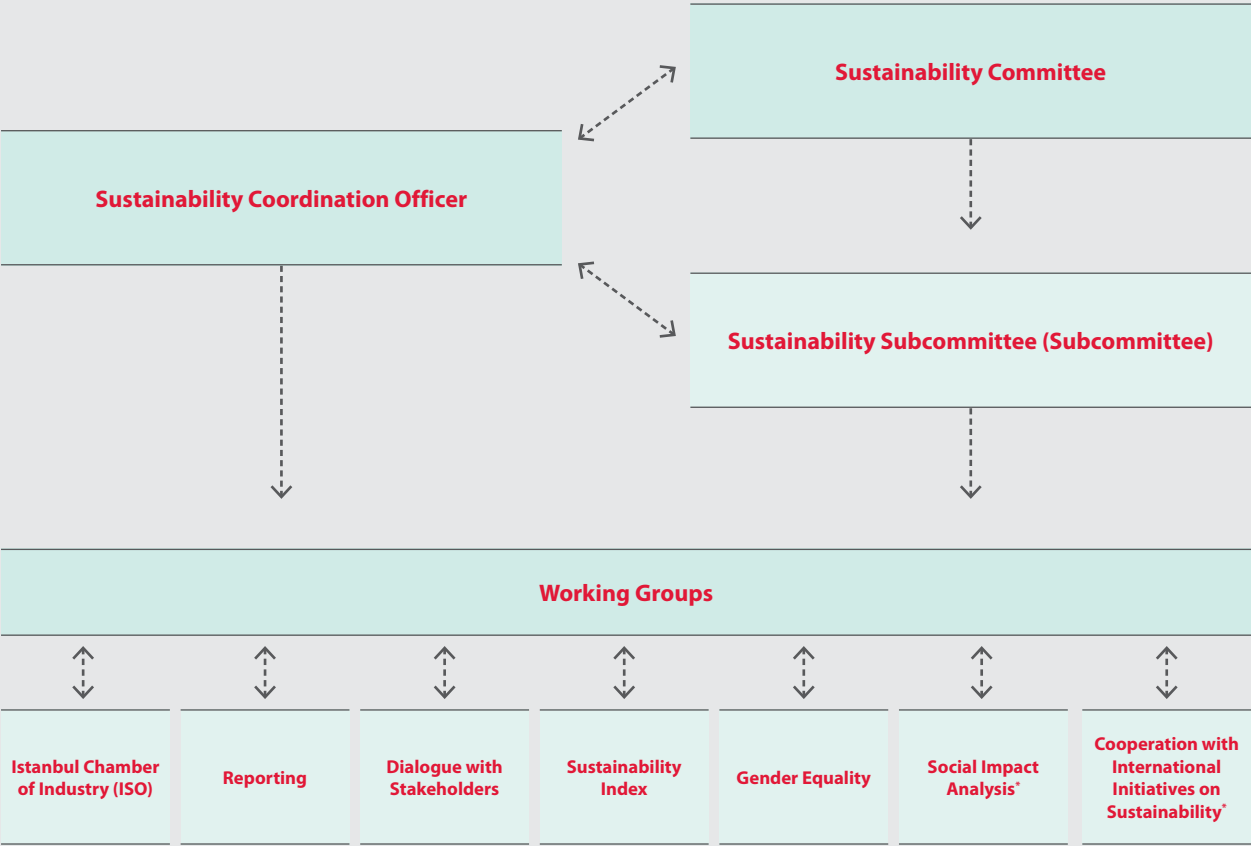
## THE TSKB SUSTAINABILITY MANAGEMENT SYSTEM

### Sustainability Subcommittee

The Sustainability Subcommittee was established to roll out sustainability operations to the entire Bank and integrate them with all business processes in parallel with the vision, strategy, goals and business plans of the Bank on sustainability and climate change. Composed of the managers of various departments, Sustainability Subcommittee reports to TSKB’s Sustainability Committee.

The Sustainability Subcommittee determines clear and measurable annual targets and these targets are reflected in the performance assessment of all participants. The internal coordination of sustainability activities at TSKB is carried out by the Sustainability Coordination Officer.

### TSKB’S SUSTAINABILITY STRUCTURE



\*Established In 2019

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## 7 Working Groups

Sustainability activities at TSKB were carried out by 7 different Working Groups affiliated to the Sustainability Subcommittee in 2019.

### Sustainability Subcommittee Working Groups 2019 activities

Sustainability activities at TSKB were conducted by 7 different working groups affiliated to the Sustainability Subcommittee in 2019.

#### Highlights from the Activities of the Working Groups

**The ISO Management Standards Working Group** ensured that the Bank successfully completed the ISO 14001 and ISO 14064 audits through its activities in 2019.

**The Reporting Working Group** oversaw the coordination of the sustainability reports published by the Bank, in particular the 2019 Integrated Annual Report. The Group represented the Bank at the Future for the Finance Awards.

**The Stakeholders Dialogue Working Group** carried out the communication activities of the Bank's sustainability efforts, continued to carry out zero carbon activities and shared information through the posts on the sustainability themed portals.

**The Sustainability Index Working Group** has managed relations with the BIST Sustainability Index and international evaluation companies. Within the scope of the evaluations carried out, it coordinated the improvements and work that should be implemented within the Bank. With the support of the efforts implemented, TSKB remained in the BIST Sustainability Index in 2019.

**The Gender Equality Working Group** chaired the IDFC Gender Equality Working Group, where TSKB served on the Board of Directors in 2019.

Sustainability working groups held a number of meetings during 2019 within the scope of their projects.

As a result of both developing activities and international good practice and requirements, two new working groups were created in TSKB in 2019.

The purpose of the Social Impact Analysis Working Group, established in early 2019, is to accelerate the impact of TSKB's sustainable banking activities. In addition to working towards measuring the social risks of the financed projects, the Group also identifies actions to increase the social benefits of the investments (contribution to the economy, support for women employees) and carries out the necessary studies.

The Working Group on Cooperation with International Initiatives on Sustainability, which was established at the end of 2019 and will start working in 2020, was formed in order to determine the resource requirement for the studies to be carried out in the international and supranational financial institutions and organizations that the Bank cooperates with such as the IDFC, UNEP-FI, TCFD, UNGC and the IIRC and to organize the work.

The appointment of members to the Working Groups are carried out by the TSKB Executive Committee. As of the end of 2019, 10% of TSKB's employees had taken part in sustainability working groups. The Sustainability Committee targets are distributed to every employee in this organization and taken into account within the scope of employee performance evaluation.

One of the common goals of the working groups is to organize internal training programs and information meetings in order to ensure the capacity development of all TSKB employees on sustainability.



## NATURAL CAPITAL

### The ERET Model

#### INITIATIVES SUPPORTED BY TSKB

TSKB is a signatory of many declarations and principles within the scope of its sustainability commitments.

- IDFC Climate Declaration
- European Long-Term Investors (ELTI) - COP21 Declaration on Transition to a Low Carbon Economy
- Women's Empowerment Principles (WEPS)
- Joint Statement on Energy Efficiency issued by the EBRD and UNEP FI
- Global Compact Turkey - Declaration of Sustainable Finance
- UNEP FI Responsible Banking Principles (Founding Signatory)

#### MANAGEMENT OF ENVIRONMENTAL AND SOCIAL IMPACTS ARISING FROM LENDING ACTIVITIES

In line with the principles of Responsible Banking, TSKB pays special importance to the objective assessment of the potential risk and impact arising in the environmental and social evaluation of the projects.

This process requires a thorough assessment; the extent of the environmental and social impacts posed are addressed in cooperation with investors prior to lending. In the light of the findings obtained as a result of the project evaluation, the issues that need to be

In the ERET model, the potential environmental impacts of projects such as waste, emissions, noise, as well as the project's impacts on stakeholders, expropriation methods, physical and economic displacement are also being assessed.

ERET Model is prepared on the basis of standards set by institutions such as the IFC and the World Bank and seamlessly overlaps with the criteria in Equator Principles.

managed and the actions that need to be taken are determined and shared with the investors. At TSKB, lending starts when all of these processes have been carried out and the project risk management plan is completed.

As a representative of an knowledge banking culture, TSKB has also undersigned a pioneering perspective/ approach in environmental and social risk assessment. Upon the initiation of the loan process, the related plans are followed up by TSKB engineers and/or independent environmental and social consultants. TSKB meticulously monitors the implementation of these plans and manages the environmental and social risks of the projects it finances.

**ERET, designed in 2005, has been implemented for all investment projects which TSKB has focused on since 2007.**

The ERET Environmental and Social Risk Assessment Tool was designed in 2005 and developed with the aims of;

- resetting the competence and experience difference between experts in the environmental and social risk category of a project,
- ensuring a consistent and standardized methodology,
- executing performance evaluation over cause and effect relationships,

Subsequently, it has been applied to all investment projects which are eligible for financing by TSKB regardless of the investment amount and/or credit limit.

In the ERET model, the potential environmental impacts of projects such as waste, emissions, noise, as well as the project's impacts on stakeholders, expropriation methods, physical and economic displacement, etc. are also being assessed.

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A sustainability approach which meets the environmental, social and OHS standards of development finance institutions is applied in all investment projects financed by the ERET Model. Furthermore, the ERET Model is prepared on the basis of standards set by institutions such as the IFC and World Bank and seamlessly overlaps with the criteria in Equator Principles.

#### **A model with a multi-disciplinary evaluation structure**

The model, which consists of 45 questions under five main headlines, is based on the investigation of the environmental and social impacts and potential legal and financial liabilities arising from the investment project evaluated by TSKB and the other activities of the project owner with an existing and forward perspective.

According to the environmental and social risk score obtained as a result of the assessment, the means of how to reduce and monitor the impacts is structured within a plan prepared in cooperation with the investor.

The environmental and social rating methodology of the ERET model is constantly under review by TSKB teams, and weight of the high-risk subjects are increased in the calculation process according to changing conditions, thus ensuring the risk subjects have greater prominence.

With the revision in 2015, the weight of social issues in the model has been elevated further to the increasing awareness along with the acceleration of social impact measurement.

The results of the Model's annual evaluation are publicly reported on the Bank's website.

The ERET model is a very powerful tool which TSKB uses for effective management of environmental and social risks. The ERET model, which has been applied since 2007 and has been updated in accordance with ongoing requirements, has contributed to the project evaluation process and also made it possible for TSKB to build a deep intellectual capital and knowledge base in this area. Besides, environmental and social risk assessment also helps to raise awareness in the institutions financed. With its ERET Model, TSKB generates value which is compatible with the principle of creating responsible income for both the Bank and its stakeholders.

#### **2019 ERET RESULTS**

	Company	Project
High risk <b>A</b>	4	3
Medium-sensitive risk <b>B+</b>	15	13
Medium risk <b>B-</b>	31	23
Low risk <b>C</b>	2	13

ERET, which measures the environmental and social risks of the company's pre-investment activities and investment subject to TSKB financing separately, realizes its risk classification in 4 different categories in parallel with international standards.

For category A projects defined as high risk category, the investor company is expected to prepare, implement and report an environmental management plan that complies with international standards by using an independent consultant in addition to the measures and practices determined by current regulations.

For projects in category B+ and B-, defined as medium risk categories, as medium risk categories, the investor company is expected to prepare, implement and report an environmental management plan in accordance with international standards in line with the measures and practices determined by the existing regulations.

#### **TSKB also addresses environmental impacts from its operational activities within the scope of SMS.**

TSKB meticulously manages the environmental impacts arising from its operations. In the work carried out within the scope of SMS, resource consumption such as electricity, water, natural gas, etc. is followed periodically and efforts towards reduction targets are implemented. Variations in natural gas and electricity consumption caused by climate change are evaluated with susceptibility.

TSKB also aims to increase the rate of waste brought to the economy by sending it to recycling facilities with its waste management plan. Awareness studies are carried out with the aim of reducing waste per person. All new TSKB employees are trained in the Sustainability Management System and the concept of sustainability is adopted.

The Bank performs all relevant work under the ISO 14001 Environmental Management System Standard. TSKB, which has held the ISO 14001 Certificate since 2007, aims to ensure that it will continue to hold the ISO 14001 certificate.

## NATURAL CAPITAL

### ZERO CARBON BANKING

#### **TSKB has switched to the zero-carbon banking in 2008.**

Climate change poses the biggest threat to the future of humanity. A rapid transition to a low carbon economy is required to ensure a sustainable world.

Following globally developing trends with its pioneering identity, TSKB started to measure its carbon footprint in 2006. The carbon footprint measurement was reviewed in 2008 by an independent consultancy company and the Bank consequently launched its zero-carbon banking project after the consultancy company issued its report. TSKB, which calculates greenhouse gas emissions from its operational activities and resets them through voluntary carbon markets, brought the carbon neutral - zero carbon banking model into practice.

The Bank has been operating in line with the ISO 14064 Greenhouse Gas Accounting and Verification Standard since 2012.

Efforts to contribute towards reducing emissions for the financed projects are carried out as part of the SMS. In this context, the grid emission factor for Turkey is calculated in accordance with international scientific methods, and the contribution to a low carbon economy is measured through funded projects.

#### **TSKB's conception of carbon-neutral banking**

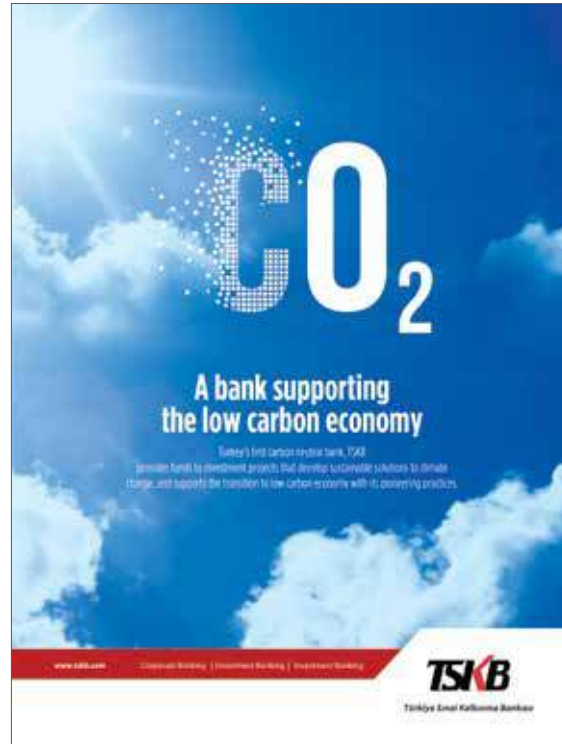
- Measuring carbon emissions and having accounts verified by independent organizations,
- Designing strategies and projects to mitigate carbon emissions,
- Offsetting emissions through voluntary markets and contributing to capacity development on the matter both inside and outside the organization.

Strategic reduction targets covering the 2009-2010 period have been established in order to reduce consumption in areas such as lighting, natural gas and business travel, which are all sources of emissions. As of 2009, the Bank started to receive electricity from renewable energy sources within the framework of this strategy. This project, which was realized during periods when the limit of being a free consumer was at a level similar to the consumption of producers in the industry, stands as a testament to TSKB's vision and priorities.

#### **The carbon neutral stand approach carried over to social projects**

TSKB not only applies the carbon neutral approach internally, but also transposes it to the social projects it conducts. The Bank aims to raise a common awareness on climate change and the mitigation of the carbon footprint as well as improving the awareness on the matter. TSKB purchased Gold Standard Carbon Certificates for more than 4,500 tonnes of carbon in the last 5 years in an effort to offset emissions from banking operations. The Bank backs the fight against climate change by resetting carbon emissions. Resources such as wind power and landfill gas are used in offsetting the carbon footprint.

In addition to the sustainability workshop, TSKB sponsored the "Women Stars of Tomorrow" concert within the framework of the IKSİ Istanbul Music Festival during 2019, along with the "Equal Opportunity for Inclusive Development" conference, the TSKB&KfW 50<sup>th</sup> Year of Cooperation Cocktail and FI Cocktail events, and approximately 20 tonnes of carbon emissions were offset.



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## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

TSKB handles its actions to tackle climate change within the scope of its sustainability strategy.

### RISKS, OPPORTUNITIES AND THE MANAGEMENT APPROACH

The negative impacts of climate change are becoming more evident day by day. Such negative impacts manifest themselves locally and globally in the depletion of water resources, increased floods, forest fires, drought and desertification, deterioration in access to food and the related ecological and social structures. These developments will pose serious threats in the short, medium and long term, as well as bring valuable opportunities if planned well.

#### TSKB is awarded the highest climate score in the Turkish finance sector by the Carbon Disclosure Project (CDP)

TSKB has implemented many firsts and pioneering practices in the Turkish financial sector in transition to a low carbon economy and became one of the first stakeholders of the Carbon Disclosure Project (CDP), which is one of the world's most important initiatives in the field of climate change.

TSKB, which has won the leadership award in past years within the scope of the CDP and which has been reporting in the field of climate change since 2011, was one of the highest rated Turkish financial institutions in 2019 with a "B" rating.

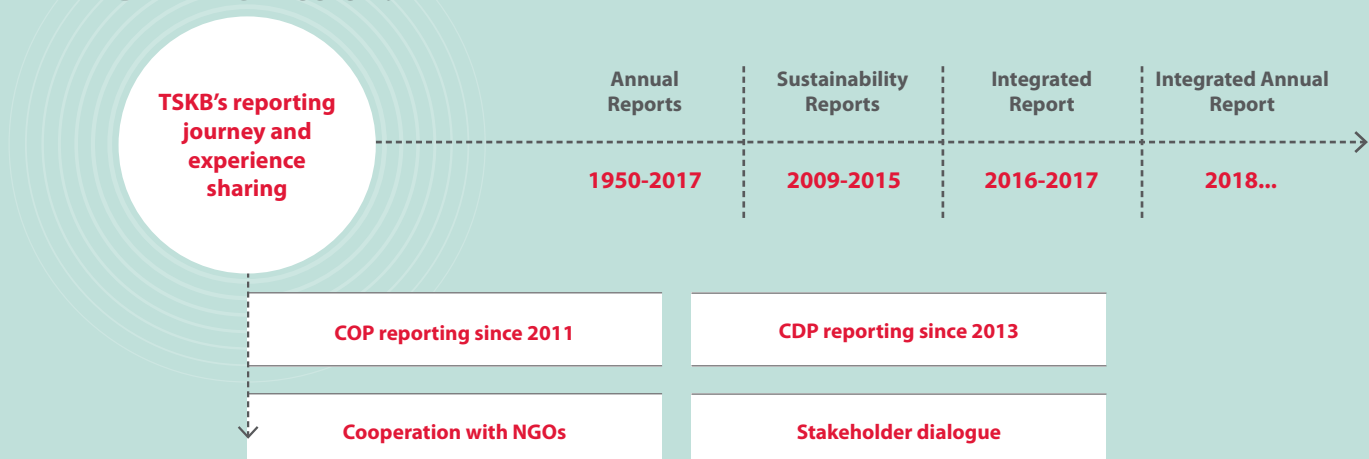
#### Climate change and TSKB's Sustainable Banking Strategy

TSKB handles its actions to tackle climate change within the scope of its sustainability strategy. Believing that the formula of qualified development is directly related to sustainable banking, the Bank's sustainable banking strategy is based on three foundations.

- 1- To support Turkey's sustainable development model
- 2- To assume a role in combating climate change
- 3- To contribute to Turkey's transition to an industrial structure which is based on a low carbon economy

TSKB's strategy in this area accommodates not only the management of climate change-related matters but also the evaluation of the relevant risks and opportunities. The Bank executes its sustainability vision and strategy within an accurately-set, efficient sustainability structure and delivers it in its daily service processes.

### TSKB'S REPORTING JOURNEY HAS DEVELOPED IN PARALLEL WITH ITS SUSTAINABLE BANKING MISSION.



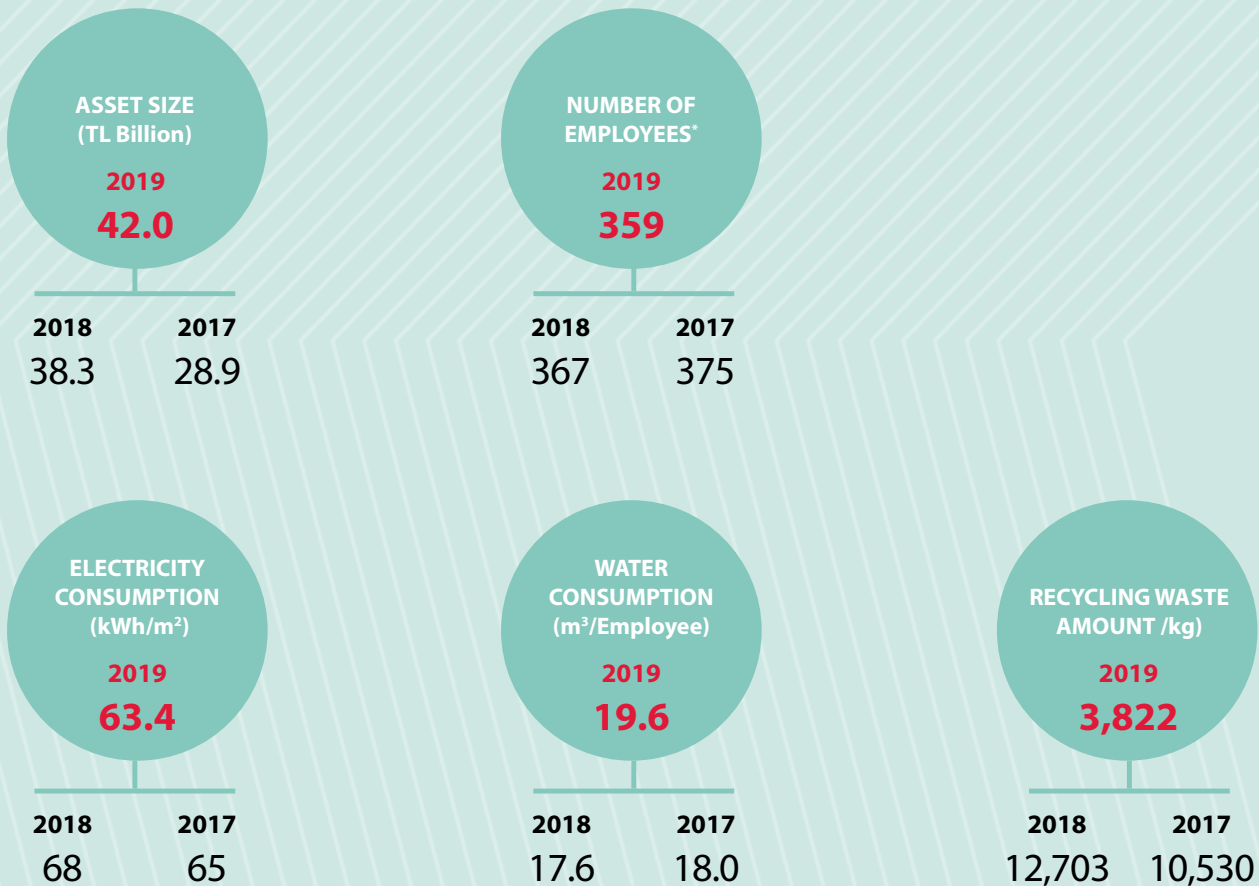
## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### INTERNAL IMPACTS-KEY INDICATORS

TSKB vigilantly manages environmental impact stemming from its operations. Under the Sustainability Management System operations, electricity, water, natural gas, etc. resource consumption levels are monitored periodically and relevant precautions as a result of such measurements for reducing consumption are taken.

CO<sub>2</sub> emissions from internal activities are calculated according to international standards and actions are taken to reduce emissions.

TSKB targets to raise the amount of waste recycled every year in an effort to grow the contribution to the economy pursuant to its own waste management plan.

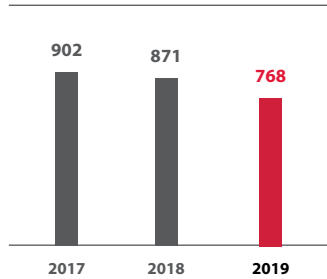


TSKB targets to raise the amount of waste recycled every year in an effort to grow the contribution to the economy pursuant to its own waste management plan.

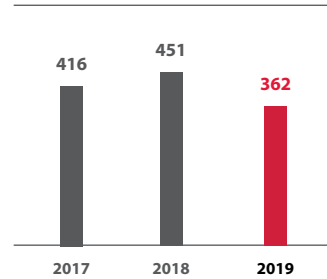
\*Annual average number of employees taken into consideration in ISO calculations



### tCO<sub>2</sub>e EMISSIONS



### tCO<sub>2</sub>e EMISSIONS (Scope 1)\*

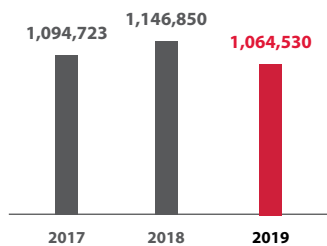


### tCO<sub>2</sub>e EMISSIONS (Scope 2)\*\*

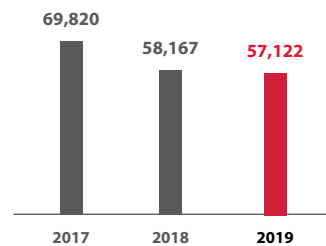
**2016, 2017, 2018 = 0**

Since TSKB uses renewable energy in all of its service buildings, its carbon emission is zero.

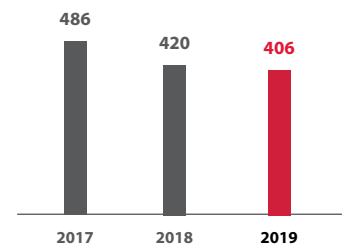
### ELECTRICITY CONSUMPTION (kWh)



### NATURAL GAS CONSUMPTION (m<sup>3</sup>)

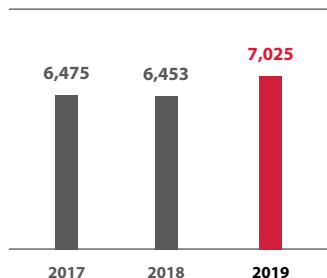


### tCO<sub>2</sub>e EMISSIONS (Scope 3)\*\*\*

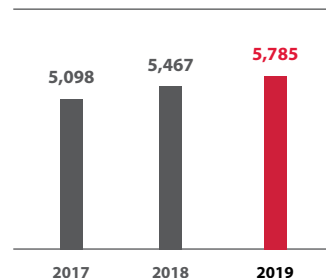


The heating and cooling activities of the buildings directly affects the total electricity and natural gas consumption. Thanks to technologies applied so far, average consumption level is under control. Total emissions of the Bank have been recorded at the lowest levels of the last 3 years in 2019, where the cooling gas leakages were realized at minimum.

### WATER CONSUMPTION (m<sup>3</sup>)



### PAPER CONSUMPTION (kg)



Due to the longer period of irrigation in 2019 summer, the average water consumption per employee appears to be elevated.

Due to construction works such as renovation, relocation of departments etc., the level of waste recycling had been higher in the previous years.

**\*Scope-1** Direct Emissions: Emissions from greenhouse gas emitting sources owned and directly controlled by an institution. Greenhouse gas emissions from natural gas consumption, company vehicles, power generators, cooling groups, ventilation and firefighting systems constitute examples for Scope-1 emissions.

**\*\*Scope-2** Energy Indirect Emissions: Emissions from the generation of electricity, heat or steam purchased externally by an institution. These emissions are emissions from the raw materials purchased externally in the form of energy such as the electricity purchased.

**\*\*\*Scope-3** Other Emissions: Greenhouse gas emissions which are externally purchased by an institution besides energy and are not directly controlled thereby. Such emissions emanate from outsourced activities and are emitted at source. Examples for Scope-3 emissions include, among others, emissions from personnel transportation services, taxi and bus travels, flights for business trips and paper consumption.

## NATURAL CAPITAL TSKB AND CLIMATE CHANGE

### TSKB'S RISK IDENTIFICATION ON CLIMATE CHANGE

#### OPERATIONAL RISKS

The main operational risk TSKB faces in relation to climate change is the increased greenhouse gas emissions caused by the consumption of natural resources in the Bank's service buildings.



#### RISK MANAGEMENT AND ACTIONS TAKEN

A working group on ISO 14001&14064 was established under the SMS. The group tracks the carbon footprint from domestic consumption. It implements action plans aiming to reduce impacts and suggests goals to improve performance. It periodically monitors and reports performance outcomes.

TSKB, HANDLES THESE RISKS UNDER  
A STRATEGIC OVERVIEW WITHIN THE  
SCOPE OF MANAGEMENT MODELS

#### FUNDING RISKS

Another issue TSKB needs to manage in relation to climate change is the risk associated with the projects it funds. The negative impact of such projects on the environment and the society constitutes TSKB's indirect impact on climate change.



#### RISK MANAGEMENT AND ACTIONS TAKEN

TSKB plans to take part in financing investments aimed at mitigating the impact of climate change through its sustainability-themed funds.

## MEDIUM-AND LONG-TERM CLIMATE CHANGE RISKS AND OPPORTUNITIES

### Incentive mechanism for renewable energy investments in Turkey

#### Risk management and actions taken

The assumption that renewable energy investment incentives will expire in 2020 and the actions that power generation companies will take are under study.

TSKB reviews the projections of the companies in its credit portfolio based on the scenario in which the incentive mechanism will be terminated.

### Extreme weather events might have negative implications on the investments in TSKB's portfolio.

#### Risk management and actions taken

Extreme weather events and changes including, but not limited to, hurricanes, cyclones and changes in precipitation regimes may have negative implications on the investments in TSKB's portfolio.

TSKB manages this process by carrying out field visits, monitoring climate conditions in the basin and setting out production projections that are updated continuously. Water scarcity is another issue related directly to climate change, demonstrating that both the world and our country will soon face severe problems in this area.

TSKB is focused on managing this risk through the funding products for energy efficiency and resource efficiency. In addition, it closely monitors relevant technological advancements and works with customers on new financial solutions. Climate change leads to negative projections specifically regarding hydropower plants. As well as the financial risk of its energy portfolio, TSKB also monitors the climate risks encompassing drought and basin management.

### CLIMATE CHANGE POLICIES TURKEY PURSUES

Ahead of the COP21 summit, Turkey shared its Intended Nationally Determined Contribution (INDC) target on September 30, 2015 under its emission mitigation strategy. Accordingly, while Turkey's greenhouse gas emissions were projected to rise from 440 million tonnes in 2012 to 1,175 million tonnes by 2030 under current conditions, they will be reduced to 929 million tonnes of greenhouse gas emissions (a decrease of 21%) if systematic measures are taken.

TSKB monitors Turkey's relevant policies to shape its climate change strategy.

### TSKB'S PROJECTION

Climate change investments in Turkey will be ramped up in the coming period, paving the way to new business opportunities such as carbon trading and climate finance.

## NATURAL CAPITAL

### TSKB AND CLIMATE CHANGE

#### Turkey's position on platforms tackling the global climate change and TSKB'S action

Having declared its Intended Nationally Determined Contribution, Turkey underlined its commitment to the Paris Climate Agreement. The Agreement has yet to be ratified by the Turkish Grand National Assembly. TSKB has closely monitored and supported Turkey's entire negotiation processes.

Considering the matter from the perspective of financial institutions, clarification on carbon trading, carbon tax and access to climate finance in Turkey will only come after these processes are completed. This issue, which will create an opportunity for Turkey to outsource the theme of tackling climate change, is being followed meticulously.

Climate action is an important item on the agenda of the TSKB Sustainability Committee. The Bank acts on a mission of securing funds for Turkey and closely monitors the Conference of the Parties (COP) attended by country delegations, public and private sector players and a broad range of NGOs.

In 2015, TSKB actively attended the COP21, where the Paris Agreement was established, thus witnessing the contribution made by various parties as well as the structuring of the Paris Agreement. Since then, the Bank has been regularly attending all COP conferences. This allows TSKB to follow the relevant global agenda. The Bank's employees share TSKB's and Turkey's experience on climate change and finance on various platforms as panelists and speakers. The Bank takes advantage of the opportunity to update its operations by following up on different interpretations and approaches.

An important formation from the COP23 in 2017 was the Talanoa Dialogue. In Pacific languages, Talanoa means "transparent dialogue". Countries, private sector organizations, NGOs and other organizations submit their contribution documents to the database for the Talanoa Dialogue (<https://talanoadialogue.com>), including the current situation on negotiation process for voluntary anti-climate change action, the goals set and the main instruments to be employed for fulfilling those goals.

TSKB acts upon a mission to secure funds for Turkey and closely monitors the Conference of the Parties (COP) attended by country delegations, public and private sector players and a broad range of NGOs.

In 2018, TSKB contributed to the Talanoa Dialogue by submitting its best practices and activities on Climate Change Prevention/Adaptation through TUSIAD. This contribution document included the emission reduction quantities supported through the green bond, energy efficiency, resource efficiency and renewable energy investments.

The contribution submitted by TUSIAD to the United Nations - Talanoa Dialogue database was published on the United Nations Framework Convention on Climate Change (UNFCCC) website on November 6, 2018.



Talanoa Submission of TUSIAD  
<https://unfccc.int/documents/183837>

In 2019, TSKB actively participated in the COP25, the final summit before the start of implementation of the Paris Agreement. The Republic of Turkey Pavilion participated as a panelist in the "10 years Countdown to 2030" TUSIAD event. In the panel entitled "Banks acting as market influencers to enhance the common practice" sustainable finance practices at our Bank, the UN-principles of Responsible Banking, internationally known declarations and memberships, the interaction with BCSD, information on Turkey's current situation and the positive diverging position of our Bank in the perspective of climate change prevention and adaptation were shared. Key agenda items of the summit included the 2020 climate actions, carbon markets, loss-and-damage mechanisms, the oceans and the terrestrial ecosystem.

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## TSKB AND SUSTAINABILITY INDICES

### Borsa Istanbul Sustainability Index

TSKB is a member of the BIST Sustainability Index of the Borsa Istanbul, which consists of publicly traded shares of companies with high corporate sustainability performances.

The Borsa Istanbul designates the companies to be listed in the index according to the results of an assessment conducted around their environmental policy, environmental management systems, biodiversity policy, climate change management, board of directors structure, anti-bribery policy, anti-bribery systems, human rights policy, human rights systems and health and safety systems.

The BIST Sustainability Index was launched in 2014 with companies from the BIST-30 index. In 2015, the constituents were enlarged to cover BIST-50 companies and TSKB also underwent the assessment process and was consequently granted a place in the index following this evaluation.



TSKB has been trading in this index since November 2015 and has been carrying out improvements in its policies within the framework of index rules, international regulations and good practices.

**Sustainability Indices are indicative tools for investors seeking to invest in companies which adopt sustainability and corporate social responsibility principles.**

Joining such indices not only displays TSKB's approach towards sustainability related matters, but also ensures that the Bank's decisions and operations on sustainability are acknowledged.

TSKB, which meticulously manages the environmental impacts arising from its operational activities and focuses on revealing the positive effect it produces with environmentally friendly practices in every possible area, bought its first 100% electric and environment friendly vehicle in the last quarter of 2019.







## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

2019 Targets	2019 Realizations
TSKB aims to maintain the share of sustainable and inclusive finance portfolio in the total loan portfolio as at least 60%, taking into consideration the investments in renewable energy, energy and resource efficiency that will be implemented in Turkey by the end 2020.	The share of sustainable and inclusive finance stood at 74%.
Within the scope of innovative renewable energy financing, TSKB plans to sign new renewable energy project loan agreements for a minimum 150 MW installed capacity and 10 new loan agreements for energy and/or resource efficiency projects by the end of 2020.	In 2019, new loans were extended for 739 MW of renewable energy, seven energy efficiency and / or resource efficiency projects.
TSKB is committed to continuing its activities within the scope of zero carbon principles. The Bank's target in this context is to monitor and offset its carbon footprint in the coming period.	In 2019, greenhouse gas emissions from TSKB's operational activities were calculated according to the ISO 14064 standard and verified by the BSI. The resulting emissions have been offset through carbon credits.
TSKB aims to reduce greenhouse gas emissions by 10% for the period of 2017- 2021 compared to the average of the past 5 years (2012-2016).	The Bank's greenhouse gas emissions for 2019 decreased by 11% when compared to 2018. Final reporting of this target will be published in the 2021 annual report.
Holding intra-Bank training events to raise awareness on waste reduction / waste recycling	Awareness training on waste reduction, waste recovery and recycling was given to all new TSKB employees.
TSKB's goal is to send all of the paper consumed in its buildings to recycling facilities and to achieve a 100% rate of recycling for paper waste.	Waste paper consumed in buildings in 2019 was collected separately and sent to recycling facilities.
TSKB's goal is to manage all environmental and social impacts and greenhouse gas emissions within the framework of ISO 14001 and ISO 14064 standards in 2019 and 2020.	ISO 14001 and ISO 14064 audits were successfully completed in February 2020.
TSKB is committed to carrying out environmental and social risk assessments of all investment loans, regardless of the project amount, to ensure that the necessary measures are taken in advance based on the determined risk and to monitor the implementation of these measures.	In 2019, TSKB applied the ERET tool, used in the management of environmental and social risks arising from lending activities, in all investment loans.

## 2019 Other Performance Indicators

### Sustainable Finance / External Environmental Impacts of the Bank

#### Renewable Energy Portfolio

Renewable Energy Projects (Number)	294
Total Installed Capacity Funded (MW) ✓	6,069
Share in Turkey's renewable energy capacity ✓	14%
Energy usage and being carbon neutral	100% green
Financing commitment	USD 3.6 billion
Contribution to CO <sub>2</sub> emission reductions (tonnes CO <sub>2</sub> e/year)	11.19 million
Share of electricity generation in loan portfolio ✓	36%

#### Resource Efficiency Projects

Raw material savings (tonnes/year)	14.5 million
Water Savings (m <sup>3</sup> /year)	1.2 million
Waste Savings (tonnes/year)	15.5 million
Energy Savings (kcal/year)	1.53 million
CO <sub>2</sub> Savings (tonnes CO <sub>2</sub> e/year)	848 million

#### Energy Efficiency Projects

Energy Savings (kcal/year)	4.7 million
Contribution to CO <sub>2</sub> emission reductions (tonnes CO <sub>2</sub> e/year)	2.4 million
<b>Contribution to CO<sub>2</sub> emission reductions through sustainability investments (tonnes CO<sub>2</sub>e/year)</b>	<b>14.42 million tonnes</b>

### Internal Environmental Impacts of The Bank

Annual carbon footprint removal	768 tonnes
Paper consumption in the Headquarters ✓	5,785 kg
Recycled glass plastic and paper waste ✓	3,822 kg
Electricity consumption in the Headquarters ✓	1,064,530 kWh
Natural Gas consumption in the Headquarters ✓	57,122 m <sup>3</sup>
Water consumption in the Headquarters ✓	7,025 m <sup>3</sup>
Water usage ✓	19.6 m <sup>3</sup> /employee



## NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

### Future Targets / Sustainable Finance and External Environmental Impacts of the Bank

By considering the renewable energy, energy efficiency and resource efficiency investments in our country until the end of 2020, the Bank aims to **keep the share of its sustainable and inclusive finance portfolio** in the total loan portfolio, excluding the finance sector, **at least 70%.**

Within the scope of innovative renewable energy financing, TSKB aims to sign **a new loan contract for renewable energy projects with a total installed capacity of at least 450 MW** by the end of 2020.

TSKB plans to sign **10** new loan agreements **on energy and/or resource efficiency projects** by the end of 2020.

The Bank is committed to **assessing the environmental and social risks of all investment loans** irrespective of the project amount, ensuring the necessary measures are taken proactively based on the determined risk and monitoring the implementation of these measures.

For the period of 2017-2021, **greenhouse gas emissions** are projected to **decrease by 10%** compared to the average of the past 5 years (2012-2016).

The Bank aims to manage all environmental and social impacts and greenhouse gas emissions within the framework of **ISO 14001 and ISO 14064 Standards** in 2019 and 2020.

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## Future Targets / Internal Environmental Impacts of the Bank

The Bank is committed to periodically calculating its **carbon footprint** and maintaining its banking operations **with zero carbon principles** by offsetting its carbon footprint.

**Zero-Carbon** organization studies will continue in 2019-2020 and with efforts to offset the carbon footprint by calculating the carbon footprints of **Career Workshops, Sustainability Workshops** and conferences hosted by the Bank and by purchasing Gold Carbon Credits.

All paper consumed in buildings will be sent to recycling facilities and the application of a **100% recycling target on paper waste** will continue in the years to come.

In-bank training programs will continue to be held in order to raise awareness about **waste reduction/waste recovery**.



## CAPITALS

### INTELLECTUAL CAPITAL



**THE DEEP-ROOTED SECTORAL KNOWLEDGE GAINED SINCE ITS ESTABLISHMENT, ITS POSITION IN THE SECTOR AND THE HIGH REPUTATION OF ITS BRAND CONSTITUTE TSKB'S INTELLECTUAL CAPITAL.**

#### KNOWLEDGE-BASED BANKING

TSKB distinguishes itself positively in the sector with its "knowledge-based banking" approach, integrated structure and team of experts in their fields.

TSKB has brought together financial analysis, environmental and technical expertise and economic vision in its business model with the vision of being the first partner to be consulted and preferred by its stakeholders for the economic, environmental and social development of Turkey.

TSKB sets itself apart and shapes the future with its expertise, extensive product range and highly qualified advisors, drawing on 70 years of development and investment banking expertise.

#### In this section

Knowledge-Based Banking  
TSKB Economic Research  
Group Companies  
Yatırım Finansman Securities  
TSKB Real Estate Appraisal  
TSKB REIT  
Escarus - TSKB Sustainability Consultancy

**SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS INTELLECTUAL CAPITAL**





## ECONOMIC RESEARCH

TSKB Economic Research is a key brand in the Bank's core business issues.

### A TSKB CLASSIC: ECONOMIC RESEARCH

TSKB Economic Research is a key brand in the Bank's core business issues.

TSKB's experienced Economic Research Team shares its expertise in the sector, economy and capital markets with the reports it publishes as well as the presentations it makes inside and outside of the Bank.

TSKB's economic research publications provide support to the Bank's funding, lending, advisory, treasury, marketing and promotion activities and are also a key tool in sharing information with sector, company representatives and sector associations.

TSKB Economic Research Publications with figures in 2019	Number of Issues
<b>TSKB Daily Bulletin</b> A brief analysis on political/economic developments in the agenda and sector news flow	249
<b>Macro View</b> Review and evaluation reports on macroeconomic data and the data calendar	76
<b>TSKB Blog</b> Short analysis in which current economic and sectoral developments are interpreted, explained and shared	55
<b>Sectoral Outlook: Energy</b> Study revealing the energy sector outlook (Turkish and English)	2
<b>Weekly Energy Bulletin</b> Developments in the energy sector	41
<b>Monthly Energy Bulletin</b> Monthly developments in the energy sector (Turkish and English)	24
<b>Initial public offering valuation reports review</b>	5
<b>TSKB Look</b> Analysis focused on macro, industry and development	4
<b>Theme Look (Turkish and English)</b> Inclusive reports prepared in the context of diversification of funding and development of themed loans	9
<b>TSKB Bir Yorum</b> Analysis on a wide range of topics from financial markets to development economics on a technical basis	2
<b>Yeni Ay</b> Leading data on the economic calendar for the new month, analysis on heading economic events in Turkey and in the World, studies on development economics	12
<b>Total</b>	<b>479</b>

### TSKB Economic Research issued over 475 reports in 2019.

The **TSKB Daily Bulletin** including daily brief analysis on political/economic developments in the agenda and sector news flow, **Macro View** including research on macro-economic data and economic calendar, **Yeni Ay** including leading data on the economic calendar of the new month, analysis on the heading economic events in Turkey and in the World and studies on development economics are among the periodicals of TSKB Economic Research.

The weekly and monthly **TSKB Energy Bulletin** shares analysis and developments in the energy sector. The **Monthly Energy Bulletin** is published in both Turkish and English. The report, entitled "**Sectoral Outlook: Energy**", which is prepared regularly every year and which analyses the current state of the Turkish energy market and addresses trends that will lead the sector in the future, was published in November in Turkish and English.

The Economic Research department also publishes **TSKB Look** including analysis focused on the macro economy, industry and development, **Theme Look** composed of themes pointing to potential topics in parallel with the Bank's mid and long-term strategy and **TSKB A Commentary** including a brief analysis on a wide range of topics from financial markets to development economics on a technical basis.

In 2019, Economic Research also conducted training programs on basic concepts in Macro Data Processing and Economic Research report writing principles for relevant stakeholders.

The Economic Research department also carried out academic studies during the year. A section of the Handbook of Green Economics was written by Burcu Ünüvar, Head of Economic Research. In the book, which is published internationally, TSKB's green/sustainable eurobond has taken place as an example of good practice.

### TSKB Economic Research 2019 Themes

- Water is The Next Diamond (Turkish and English)
- Trickle-Down Financing as an Alternative to Direct Finance of SMEs (Turkish and English)
- Forced March to the Future: R&D and Innovation (Turkish and English)
- Paving the Way for Women to Enter the Labor Force (Turkish and English)
- Employment Priority Regions (English)

## INTELLECTUAL CAPITAL TSKB BLOG

### **The TSKB Blog, as a sophisticated platform that sheds light on the development agenda**

With the **TSKB Blog**, TSKB has provided a wide range of stakeholders, mainly those in the business world and the managers of the future, with access to its know-how and experience in various fields such as the economy, development, sectors, sustainability and inclusiveness perspectives.

The TSKB Blog offers articles on international trends such as digital transformation, Industry 4.0 and zero-carbon economy as well as the economic and financial agenda. The Blog aims to keep the pulse of the development agenda and highlights the rapid transformation in various industries.

The TSKB Blog is backed by TSKB's 70-years of know-how and experience. The Blog delivers editorials on economic and sectoral developments and offers new articles and current themes through the eyes of the Bank's experts to its followers on a weekly basis. Content on the TSKB Blog is also released simultaneously on TSKB's social media platforms. Articles on the TSKB Blog are written by a team of about 20 specialists from a range of fields such as development concept or objectives, sustainability, engineering, technology, energy and tourism.

## SECTORAL EVENTS AND THE TSKB LIBRARY

### **TSKB actively works with sectoral organizations to strengthen stakeholder communication.**

Sectoral events play an important role in TSKB's efforts to reach a wide stakeholder audience and in sharing its experience. Within the scope of these events, TSKB improves its dialogue with its stakeholders and awareness of sustainability issues is significantly raised among the participants.

TSKB was involved as an organizer and sponsor in many different events throughout 2019 and hosted various events throughout the year. In these events, TSKB representatives made presentations or participated as speakers on topics such as development economics, sustainability, inclusiveness, renewable energy, R&D and innovation, energy efficiency, women's employment and investment banking.

TSKB's work on this issue is not limited to Turkey alone. TSKB employees share the Bank's expertise in the international arena as speakers at capacity building trainings and global summits.

### **LIBRARY**

The TSKB Library, which opened its doors in 1971, is a specialized library with approximately 14,500 archive materials, nearly 200 periodicals and electronic database subscriptions. The TSKB Library, which offers researchers, especially university students and academics, a wide range of industry-based reports and research results, as well as national and international literature and special collections on gender studies and the history of Istanbul.

#### **Events organized by TSKB**

- The AFD-TSKB Equal Opportunity Conference
- The Koton – Supply Chain Equal Opportunity Meeting
- Syndication Agreement
- FI Cocktail
- AFD Resource Signing Ceremony
- KFW 50<sup>th</sup> Anniversary Event
- EBRD Signing Ceremony
- Us Again NGO Meeting
- Campus Win Organization
- Ufuk Tarhan Seminar for TEV Scholars

#### **Events sponsored by TSKB**

- Energy Efficiency Forum
- Carbon Summit
- BCSD Sustainable Finance Forum
- Istanbul Finance Summit
- Capital Markets Congress
- Turkey Wind Energy Congress
- Istanbul Music Festival "Women Stars of Tomorrow" Concert

#### **Events hosted by TSKB**

- TKYD – Board Meeting
- TKYD – Member Meeting
- BCSD Reporting Matters Launch
- Corporate Communicators Association Blockchain Seminar

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## INTELLECTUAL CAPITAL MEMBERSHIPS AND WORKING GROUPS

In 2019, the TSKB Library, which has been renewed architecturally in order to connect with TSKB's tradition and history of expertise and to create a space of sharing and creativity for employees, aims to provide better service to all interest groups.

TSKB is a member of national and international associations and initiatives that carry out activities in areas related to its strategy, activities and objectives. The Bank shares its experience within the scope of these memberships, where it undertakes active duties in working groups, and cooperates closely with other member companies.

### Contribution to Turkey and the TSKB brand

TSKB's participation in national and international initiatives contributes to the Bank's brand value as well as to the country's. The activities carried out within the scope of memberships reflect positively to TSKB's corporate image and support internal capacity building and awareness raising. These memberships, which present an opportunity to establish communication and relations with stakeholders from different regions and cultures, contribute to the promotion of Turkey

on various platforms, especially in cases where participation from Turkey has been achieved for the first time, and increase Turkey's recognition in these areas.

TSKB undertakes working group leadership and membership in a number of initiatives and carries out several projects with other companies sharing the same objectives.

### COOPERATION WITH PUBLIC INSTITUTIONS

Through its good relations with policy makers and public institutions and its ability to offer independent opinions, TSKB;

- contributes to the country's economy and development,
- creates diversity of funds for economic development,
- offers independent opinions from the private to public sector,
- serves as a bridge between the private sector and the public sector,
- contributes to the development of the market and legislative work,
- enables reputation, truth and promotion.

### INITIATIVES TSKB TOOK ROLE IN AND WORKING GROUPS LED BY TSKB IN 2019

#### INTERNATIONAL DEVELOPMENT FINANCE CLUB (IDFC) GENDER EQUALITY WORKING GROUP LEADERSHIP

#### BCSD TURKEY WOMEN'S EMPLOYMENT AND EQUAL OPPORTUNITIES WORKING GROUP LEADERSHIP

#### INTEGRATED REPORTING TURKEY NETWORK (ERTA) EXECUTIVE COMMITTEE MEMBER

#### INTEGRATED REPORTING TURKEY

Training Committee  
Implementation Committee  
Promotion and Dissemination Committee  
TKYD Board Membership

#### BCSD TURKEY

Sustainable Finance Working Group  
Energy Working Group  
Women Employment and Equal Opportunity Working Group  
Circular Economy Working Group  
New Technology in Sustainability Working Group  
Access to Sustainable Agriculture and Food Working Group  
Sustainable Reporting Working Group

#### TKYD BOARD MEMBERSHIP

The Capital Markets Working Group and BIST Corporate Governance Index Board Working Group  
Studies for Integrated Reporting  
Non-Governmental Organizations Working Group  
Corporate Governance Working Group in Family Companies

#### UNITED NATIONS GLOBAL COMPACT

Sustainable Finance Working Group  
Gender Equality Working Group  
Environmental Working Group  
Diversity and Inclusiveness Working Group

#### TURKISH INDUSTRIALISTS AND BUSINESS COMMUNITY ASSOCIATION (TUSIAD)

Banking, Economic Analysis, Capital Markets, Taxation, Transformation in Industry, Health, Tourism, Environment and Climate Change, Energy, Food, Beverage and Agriculture, Gender Equality, Foreign Trade, Next Generation Industry, SME, Employment and Social Security, Transportation and Logistics, BORGIP (Interregional Joint Venture Project), Global Relations and EU working groups.

#### FOREIGN ECONOMIC RELATIONS BOARD (DEIK) ENERGY AND CHINA BUSINESS COUNCIL MEMBERSHIPS

## INTELLECTUAL CAPITAL GROUP COMPANIES

### COMPLEMENTARY ACTIVITIES THAT ENHANCE THE VALUE OFFERED

#### **The synergy created and the integrated relationship of TSKB with its subsidiaries complements and supports the Bank's business cycle.**

TSKB has subsidiaries operating in various sectors and also holds shares in various companies under the Isbank Group.

TSKB operates within a holistic structure with its subsidiaries. The Bank's subsidiaries provide concrete contributions to the process of generating lasting value for TSKB's stakeholders through their business volumes, cross-collaboration opportunities and competencies. The Bank acts in synergistic cooperation with Yatirim Finansman Securities, TSKB Real Estate Appraisal, TSKB Real Estate Investment Trust and TSKB Sustainability Consultancy (Escarus) in terms of creating cross-selling opportunities, delivering successful investment banking and advisory projects.

### YATIRIM FINANSMAN



[www.yf.com.tr](http://www.yf.com.tr)

#### **Turkey's first capital markets institution**

Acting in coordination with TSKB in a variety of investment banking projects Yatirim Finansman Menkul Degerler A.Ş. (Yatirim Finansman) is Turkey's first capital markets institution. The company was founded on October 15, 1976 by 13 major banks led by Isbank and TSKB.

Earning a reputable place in capital markets thanks to the rapid and stable progress it attained since the day it was founded, Yatirim Finansman is one of the leading players in the market and stands out as a symbol of trust.

#### **A rich product range, with a strong and widespread service network**

As one of Turkey's key institutions, Yatirim Finansman offers both domestic and international individual and corporate investors high quality, reliable and rapid services to access capital markets through its robust and widespread network of branches around the country, and its online and mobile applications. The Company creates added value for its customers through its knowledge, experience, expertise and strong capital structure gained from its experience dating back more than 43 years in the financial sector.

With the YFTRADE, YFTRADEMOBILE, YFTRADEINT applications developed by Yatirim Finansman, investors add value to their savings regardless of time and space by making reliable and intermediary transactions in domestic and/ or foreign markets with portable or desktop computers, new generation smart devices.

Yatirim Finansman operates in strong synergy with group companies, mainly with TSKB. The company, which has undertaken important projects with TSKB in the field of investment banking, continues to provide convenient financial instruments to its customers and brings additional value to their investments thanks to its employees, who utilize their knowledge, experience and competences to the best of their abilities.

#### **A brokerage firm operating on the principle of Responsible Profitability**

Yatirim Finansman is a pioneer with its innovation, technology and customer-oriented service approach and product diversity; it is distinguished in the market as one of the leading preferred brokerage firms which adds value to all of its stakeholders with its sustainable operating results, directs its sector and serves one of the most popular brokerage firms in the market.

In 2019, Yatirim Finansman met its targets to provide a satisfactory return to both its investors and stakeholders within the framework of the principle of "Responsible Profitability".

Yatirim Finansman sets itself apart in the sector with the rich and diverse range of products and services which it offers with its status as a Competent Intermediary Institution within the scope of the capital market law and the communiqué, and its advanced technology infrastructure and its investments.

Yatirim Finansman, in which TSKB has a 95.8% shareholding, stands out among investment institutions and continues to raise the level of service in the industry with its 9 service points throughout Turkey, a shareholders' equity which reached TL 116.3 million, and client assets exceeding TL 5.6 billion in 2019.



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### Contributing to efforts to promote the sector

Yatırım Finansman, the founder of the sector, conducts activities for university students in order to contribute to the promotion of the capital markets and meets students who are interested in the sector.

In 2019, the company launched industry-specific technical training from online channels for university students, aiming to contribute to the development of their financial literacy.

In 2019, the Company expanded its activities in the field of social responsibility by providing book assistance to 12 elementary schools.

For 2019, Yatırım Finansman plans to continue holding seminars in various regions of Turkey to contribute to improving the recognition of the capital markets and to financial literacy under a mission borne of its position as the first brokerage house in Turkey.

### Growth target by increasing number of active customers

Yatırım Finansman aims to increase its number of active customers by 15% every year, both with the existing customers it will activate and the new gains, and to increase the share of income it receives from these customers to 15% of its total revenues.

Yatırım Finansman, which stands at the forefront with its technological infrastructure and innovations in mobile applications, will maintain its investments in technology infrastructure and online platforms without interruption in 2020 in order to provide the most suitable solutions for its customers' needs with new products and services.

## TSKB REAL ESTATE APPRAISAL



[www.tskgd.com.tr](http://www.tskgd.com.tr)

### The Industry leader and reference company in the field of appraisal and consultancy

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal) was established in 2002 to deliver real estate appraisal services.

TSKB Gayrimenkul Değerleme provides independent and impartial services to international standards in the areas of valuation, consultancy, valuation of machinery and equipment, most efficient and best use analysis, feasibility analysis, market research and sectorial analysis, tender consultancy and process management, urban transformation consultancy, construction progress and investment monitoring consultancy, concept development consultancy, review of valuation reports and green valuation.

The Company carries out all of its operations in accordance with the legal regulations and International Valuation Standards, in line with the principle of confidentiality.

### 145,000 valuation reports in the last 5 years

TSKB Gayrimenkul Değerleme offers deep rooted know-how and expertise in the valuation and appraisal industry along with appraisal and consultancy services in all phases of projects starting from the planning stage through its appraisal experts from its 8 branches across Turkey.

Chartered appraisal experts, mostly CMB-accredited, working at TSKB Gayrimenkul Değerleme determine the market value of a wide range of properties from land, business centers and factories to shopping malls, hotels, logistics plants, petrol stations and power stations. As of the end of 2019, the company had published nearly 145,000 reports in the last five years.

### A performance crowned with awards

TSKB Gayrimenkul Değerleme has received four awards in categories such as Best Real Estate Appraisal Company in Turkey and Best Real Estate Consultant in Turkey.

### Effective organizational structure

TSKB Gayrimenkul Değerleme has two main departments for valuation services - "Collateral Valuation" and "Special Projects".

The Collateral Valuation Department was established in 2010 to reflect the importance of accurate value determination in real estate based loan collateralization studies. The department mainly serves financial institutions.

## INTELLECTUAL CAPITAL GROUP COMPANIES

The Special Projects Department, on the other hand, provides services on special-purpose valuation requests such as domestic and international project valuation, feasibility, most efficient and best use analysis, project goodwill, machinery and equipment park valuation, tender consultancy and sector based research.

The Company's international appraisal services are carried out by Special Projects Department. TSKB Gayrimenkul Değerleme realized appraisal studies in 20 different countries. TSKB Gayrimenkul Değerleme, which provided valuation services in four more countries where it had not previously served in 2019, considers providing its customers with a global perspective on valuation standards as one of its primary objectives.

### One of Turkey's valuation companies, operating with three different licenses

Besides being authorized by the CMB and BRSA, TSKB Gayrimenkul Değerleme is one of Turkey's leading companies providing services with three licenses, having obtained the RICS license, which provides international service assurance.

With its staff holding the MRICS, Appraisal Institute and LEED Green Associate certificates, the Company holds the highest number of international licenses in Turkey in relation to appraisal and consultancy services.

Furthermore, TSKB Gayrimenkul Değerleme is the first real estate appraisal company in Turkey to have obtained the ISO 9001:2008 Quality Certificate granted by BSI Eurasia Yönetim Sistemleri Belgelendirme Ltd. Sti., a UK certification company. The company completed its transition to the ISO 9001:2015 Quality Certificate System and now holds the ISO 9001:2015 Quality Management System certificate.

### Solid targets

TSKB Gayrimenkul Değerleme composes its future strategies and determines action plans according to its corporate mission in the framework of its 3-year Strategic Plan.

At the end of 2018, the construction sector entered a recession which continued for the first seven months of 2019, but there was a recovery in the sector indicators in the third quarter of the year. As of August 2019, pending housing demand in the market was driven by a reduction in mortgage interest rates, and an increase was observed in the housing sales due to this effect. The mobility experienced in housing sales has also started to reflect positively on the return on housing

investments. TSKB Gayrimenkul Değerleme maintained its position in the Special Projects Department as "the leading company in the sector doing its job well". The turnover of the Collateral Valuation Department has increased by approximately 20%.

In addition, TSKB Gayrimenkul Değerleme quickly took action to comply with the "Principles to be Followed in the Valuation of Non-Real Estate Assets within the Scope of Capital Market Legislation" published on 11 April, and the "Communiqué on Real Estate Appraisal Companies to Operate in Capital Market" published on 31 August.

TSKB Gayrimenkul Değerleme aims to grow by 30% in 2020 by maintaining its unique position and brand value in the sector. In 2019, the rate of return to contract of incoming claims was 54%, while in 2020 this is planned to increase to 60%. It is expected that the increase in the number of future jobs with special qualifications combined with accurate perception management, as well as the increase in the awareness of the market about receiving valuation reports, will lead to a qualified increase in the number of jobs.

## TSKB GYO



[www.tskggyo.com.tr](http://www.tskggyo.com.tr)



### A company seeking to build an efficient real estate portfolio

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO, TSKB REIT) is a real estate company which aims to establish and develop an efficient real estate portfolio.

TSKB has a share of 88.67% in TSKB REIT, which is supported by the Bank's corporate know-how and experience dating back 69 years. As a capital market institution, TSKB REIT is able to invest in real estate, real

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estate projects, real estate rights and capital market instruments, establish ordinary partnerships to realize certain projects, and deliver other operations allowed by the relevant communiqué of the Capital Markets Board (CMB) of Turkey.

### A balanced investment strategy

The core values of TSKB REIT are consistency, transparency, quality management, social responsibility, customer orientation and teamwork. Its investment strategy is based on growth, sustainability and risk management through project development. The capital of the Company, which was established with an initial capital of TL 10 million, was increased to TL 300 million in the 4<sup>th</sup> quarter of 2018. As of 31 December 2019, TSKB REIT's asset base had reached TL 536 million and the leasable area under its management had reached 66,000 m<sup>2</sup>.

At the end of 2019, TSKB REIT's real estate portfolio included the Pendorya Shopping Mall located in Pendik, Istanbul on the E-5 highway, and which was inaugurated on December 17, 2009. The shopping mall has an indoor area of 80,648 m<sup>2</sup> and a leasable area of 30,573 m<sup>2</sup>. TSKB REIT's portfolio also includes two office buildings located in Fındıklı, Istanbul with a total indoor area of 17,827 m<sup>2</sup>, Tahir Han in Karaköy, Istanbul, half of the shares in the Divan Adana Hotel, located in the city center of Adana and which opened its doors in September 2015, as well as its independent units.

### TSKB REIT and the capital markets

Subject to capital market legislation, TSKB REIT's goals include, among others, contributing to real estate investments so as to ensure they secure a place in capital markets as a liquid and sound investment alternative. TSKB REIT shares have been traded on Borsa Istanbul's Collective and Structured Products Market under the 'TSGYO' ticker since April 2010.

### TSKB REIT targets improving its profitability

In line with its investment strategy to increase current lease revenues and to diversify its portfolio, TSKB REIT will sustain efforts to increase lease revenues from the Pendorya Shopping Mall in 2019. In a similar vein, the Company aims to deploy its competitive edge in the region where the Divan Adana Hotel is located and increase its profitability.

## ESCARUS



[www.escarus.com](http://www.escarus.com)



### The leading consultancy company in Turkey's sustainable development

TSKB Sustainability Consultancy (Escarus), which was established in 2011 and 80.17% of which is owned by TSKB, provides project-oriented consultancy services built on TSKB's multi-disciplinary expertise, experience and know-how.

Aiming to be the leader and major contributor in Turkey's sustainable development, Escarus carries out its operations under three main lines:

- Operational Sustainability
- Strategic Sustainability
- Research, Reporting and Education

Escarus, which has undertaken innovative and pioneering projects with its professional staff, designs and realizes value-added consultancy services in the area of energy, operational efficiency, environmental and social assessment, technical evaluation, management systems, climate change and sustainable finance.

### Strengthening brand value

Escarus' service region covers Turkey as well as international markets, carrying out a total of 27 projects, 20 of which were new in 2019. Escarus has so far carried out several projects in Qatar, Lebanon, Egypt, Kenya, Senegal, Cameroon and Congo, and has come a long way towards meeting its service export goal.

Escarus, which predominantly carries out projects with private sector companies, has diversified its customer base in the context of providing services to public institutions and international organizations. In 2019, Escarus worked directly with international organizations such as the IFC, the EBRD, IsDB and UNDP, and continued to seek close contact and cooperation with several other organizations as well.

## INTELLECTUAL CAPITAL GROUP COMPANIES

### The first and only Turkish company elected to the Green Bond Principles Advisory Board

Escarus provided framework consultancy services for green SRI Bond/Sukuk issuance transactions in 2018 and was elected to the Green Bond Principles (GBP) 2019-2020 Advisory Board in 2019. Escarus is the only company in Turkey to have been elected to the Advisory Board, which was established to provide a broader perspective on green, social and sustainable bond markets and to advise actors in this field.

### Multiple projects from various disciplines

Escarus, which has a strong workforce, has successfully completed many exemplary projects in areas such as investment feasibility reviews, technical assessment for export credits, environmental and social assessment and monitoring, sector analysis, sustainability report and integrated reporting, and sustainability oriented training in addition to projects based on strategic sustainability.

Escarus considers sustainability as a concept which affects the whole of society and the overall economy, far beyond the first-order issues of the environment and the environment. Based on this approach, the Company addresses sustainability in a wide universe in line with the 16 + 1 Sustainable Development Goals outlined by the United Nations and shapes its areas of activity in this direction.

Escarus is focused on building capacity and project development activities in the areas such as sustainable agriculture, rural development, women's empowerment and gender equality, waste management, industrial symbiosis, the financing of efforts to tackle climate change and adaptation to climate change, value chain analysis and social impacts.

### Collaborative Focus and Approach

Escarus continued its knowledge-sharing stance in 2019 with many events which it organized and participated in as a speaker. Escarus managers and specialists attended several events as speakers including part-time lectures at universities and opening a new service path in thematic training for the finance sector. Escarus held its Sustainability Workshop, organized annually in cooperation with TSKB, at the Özyeğin University in 2019.

### Escarus in 2020

Within the framework of 2020 targets Escarus aims to strengthen the domestic consultancy structure with a national and global presence, which can meet the needs of public and private sector institutions at home and abroad, especially those institutions which use foreign funds, while sharing its knowledge in order to create maximum value from these funds and increasing Turkey's exports of services to its neighbouring region.

In 2020, Escarus plans to expand its sustainability-based technical, environmental, social and managerial consultancy services to wider segments, and sustain its activities on an understanding that sustainability is at the heart of all technical and financial solutions, and plans to expand its number of projects and scope.

In accordance with the Strategic Plan for 2020-2022, in 2020 Escarus aims to increase the number of projects it serves to 30, the total number of companies in the finance and real sectors contacted to bid to 70, and the number of names in the consultant pool to 250, commission the project-based time management system and carry out business in each of its products collected in 12 subtitles.

## SUMMARY OF TSKB'S SUBSIDIARIES WITHIN ISBANK GROUP

COMPANY	Sector	Capital (TL million)	TSKB's Share (%)	Web Site
Is Finansal Kiralama A.Ş.	Finance	695.3	29.46	<a href="http://www.isleasing.com">www.isleasing.com</a>
Is Girisim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	74.7	16.67	<a href="http://www.isgirisim.com">www.isgirisim.com</a>
Is Faktoring A.Ş.	Finance	63.5	21.75	<a href="http://www.isfaktoring.com">www.isfaktoring.com</a>

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## INTELLECTUAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



### 2019 Other Performance Indicators

Within the scope of TSKB Consultancy Services, 61 advisory projects were completed in 2019 and 479 sector reports and 55 blog posts were written by the Economic Research team on five different themes.

Turkey's first capital market institution, Yatırım Finansman, acquired 1,077 new customers and a number of activated customers in the year 2019. In order to increase financial literacy, nine seminars were provided in 2019 and these seminars are planned to continue in the coming years.

TSKB Gayrimenkul Degerleme converted 54% of requests received in 2019 into contracts. The Company has produced 145,000 reports in the last 5 years.

In 2019, TSKB Real Estate Investment Trust maintained its efforts to increase the rental income of the Pendorya AVM in line with its investment strategy of increasing existing rental income and diversifying the portfolio.

Providing advisory services in the field of sustainability, Escarus carried out 27 different projects in 2019 and contacted 49 different companies in the financial and real sectors to bid. The company increased the number of names in the consultant pool to 145.

### Future Targets

TSKB's goal is to transfer the knowledge and experience it has built up over 70 years through its advisory team and four different subsidiaries, and to expand its field of activity.

**TSKB Advisory Services** aims to triple its revenues through its activities carried out by its large staff in 2020.

**Yatırım Finansman** aims to increase the number of active customers by an average of 15% in 2020 and to increase the share of the revenue from these customers to 15% in total revenues.

**TSKB Real Estate Appraisal** aims to grow by 30% in 2020 by maintaining its specialist position and brand value in the sector. It aims to realize a return rate of requests to the contract of 60% in 2020.

**TSKB GYO** aims to increase its profitability by deploying its competitive advantage in the region where the Divan Adana Hotel is located in 2020.

**Escarus** aims to increase the number of projects it conducts to 30, the number of firms contacted to bid to 70, and the number of names in the consultant pool to 250 in 2020. The Company aims to deploy its project-based management system in 2020 and carry out business in each of the products collected in a total of 12 sub-titles.



# CAPITALS

## SOCIAL CAPITAL



**THE BOUNDS TSKB HAS ESTABLISHED WITH ITS STAKEHOLDERS AND THE LONG-TERM RESPONSIBILITY PROJECTS THE BANK HAS UNDERTAKEN IN THIS CONTEXT CONSTITUTE TSKB'S SOCIAL CAPITAL.**

### VALUE CARRIED INTO THE FUTURE

TSKB embodies its social contribution in Corporate Social Responsibility projects designed in parallel with its mission of supporting Turkey's sustainable and inclusive development.

Implementing various awareness, development, education, culture and art projects on themes such as climate change, the low carbon economy, women's participation in production and equal opportunities, the Bank contributes to the reproduction of similar good examples in the business world, touching the lives of more people and developing a productive ecosystem that protects the environment.

### In this section

Digital Platform for Sustainability: [www.cevreciyiz.com](http://www.cevreciyiz.com)  
Sustainability Workshops in Universities  
Zero Carbon Economy Activities  
Excavations in Patara Ancient City  
Scholarship Fund: Women Empowerment through Education  
Digital Platform for Equal Opportunities: [www.esitadimlar.com](http://www.esitadimlar.com)  
Music Education Support Fund: Woman Stars of Tomorrow  
Experience sharing and reporting

### SUSTAINABLE DEVELOPMENT GOALS THAT TSKB CONTRIBUTES THROUGH USE OF ITS SOCIAL CAPITAL



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## SOCIAL CONTRIBUTION

Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments that generate an environmental and social impact.

### A SOCIAL CONTRIBUTION BY LONG-TERM RESPONSIBILITY PROJECTS

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and art projects on themes such as climate change, the low carbon economy, women's participation in production and equal opportunities.

Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments which generate an environmental and social impact. On the other hand, the Bank reinforces the total value it generates through its long-term projects realized within the scope of Social Responsibility, which it defines as an integrated element of its unique business model.

TSKB's social responsibility projects are structured in the areas of sustainability and equal opportunities.

With these projects, the Bank provides a concrete contribution to the reproduction of similar good examples in the business world, to touch more people's lives and to the development of a productive ecosystem which protects the environment.

The Bank's social capital is crowned with its experience and sharing efforts, and is conveyed into the future.

**TSKB'S SUSTAINABILITY JOURNEY HAS BEEN CROWNED WITH RESPONSIBILITY PROJECTS AND IS EVOLVING INTO THE FUTURE THROUGH EXPERIENCE SHARING.**

**2007**  
cevreciyiz.com

**2008**  
Zero Carbon  
Banking

**2012**  
Sustainability  
Workshops in  
Universities

**2016**  
Patara  
Ancient City

**2017**  
Women  
Empowerment  
through Education

**2018**  
The Women Stars  
of Tomorrow

**2018**  
#EqualSteps

## SOCIAL CAPITAL

### SUSTAINABILITY PROJECTS

TSKB aims to support the perception of sustainability and raise awareness among students, who are the decision makers of the future, through its sustainability workshops which have been organised since 2012.



#### [www.cevreciyiz.com](http://www.cevreciyiz.com)

TSKB's first project in the field of sustainability [www.cevreciyiz.com](http://www.cevreciyiz.com) was implemented in 2007.

Leaving behind its 12<sup>th</sup> year, [www.cevreciyiz.com](http://www.cevreciyiz.com) offers a rich variety of content in different areas such as business ideas on sustainability, environmentally friendly designs, alternative energy resources, environmentally friendly consumption trends, green architectural examples and is a source of inspiration for the sustainable business world.

TSKB also spreads the impact it produces from the [www.cevreciyiz.com](http://www.cevreciyiz.com) project to large sections of society through its posts on social media channels.

Celebrating its 12<sup>th</sup> year, [www.cevreciyiz.com](http://www.cevreciyiz.com) is a source of inspiration for the sustainable business world.

#### Sustainability Workshops in Universities

With the Sustainability Workshops it has been organising since 2012, TSKB aims to support the perception of sustainability of university students, who are the decision-makers of the future, and to raise awareness. The workshop is organized in cooperation with the group company, Escarus, which operates in the field of sustainability consultancy, and is held at a different university every year. Students participating in the workshops come together with consultants from TSKB and Escarus to perform a case analysis on a real banking project focused on issues such as climate change, the low carbon economy and the environment.

TSKB has purchased more than 4,000 tonnes of Gold Standard Carbon Certificates in the last 5 years in order to offset emissions from banking activities.

#### Zero Carbon Economy

Since 2008, TSKB has been neutralising all carbon footprints arising from its in-bank activities with Gold Carbon Credits obtained from renewable energy companies. In addition, the Bank offsets the emissions of the concerts sponsored at the Istanbul Music Festival and the Career Workshops it organizes.

In order to raise awareness among customers and business partners, TSKB sent New Year greetings for three consecutive years based on Turkey's individual carbon footprint statistics and with name-specific carbon certificates.

Aiming to take responsibility for the transition of the business world to a low carbon economy, TSKB shares its support and experience on every platform with its Bank spokespersons, as well as its consultancy solutions, social responsibility projects and loans in the fields of renewable energy, energy and resource efficiency.

#### Excavations in Patara Ancient City

TSKB considers the protection of cultural and historical artefacts as one of the cornerstones of sustainability. The Bank, along with Isbank and SiseCam, has been supporting the excavations in the ancient city of Patara since 2016, which is an important source of wealth of our country.



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## SOCIAL CAPITAL EQUAL OPPORTUNITY PROJECTS

The scholarship fund established in cooperation with the Turkish Education Foundation (TEV) extends support each year to junior and senior female college students.

Recently focusing on inclusive development, TSKB provides funds to the private sector to increase women's employment. While female employment in companies participating in the Women-Friendly Loan Program increased by 15% in 2018-2019, the performance growth in development areas such as policies, education, working conditions and representation in the management reached 30%.

TSKB has designed and implemented equal opportunities projects in areas where it believes it can make a difference by evaluating the knowledge and experience it has gained in this process.

### Scholarship Fund: Women Empowerment through Education

The participation of women in the economy presents tremendous potential to support the welfare of the country. The realization of this potential is related to the empowerment of women through education. It is with this conviction that TSKB established the Scholarship Fund named Women Empowerment through Education.

The scholarship fund established in cooperation with the Turkish Education Foundation (TEV) extends support each year to junior and senior female college students. Beyond being a scholarship fund, the project also offers its stakeholders services such as mentoring and training with the goal of enabling more women to participate in business life every day.



### #EqualSteps [www.esitadimlar.com](http://www.esitadimlar.com)

The digital platform implemented in cooperation with BCSD Turkey (Business Council for Sustainable Development), [www.esitadimlar.com](http://www.esitadimlar.com), provides a comprehensive guide to all firms seeking to take steps to promote women's employment and develop an equal opportunity approach at work.

#equalsteps, which is a digital library using social media channels effectively, is moving towards becoming a platform hosting successful applications from Turkey and the world, roadmaps, standards on the issue and legislation all qualified research is carried out in this field.



## SOCIAL CAPITAL

### EXPERIENCE SHARING AND REPORTING



#### The Women Stars of Tomorrow

TSKB's support for work in the field of culture and art goes back many years. The Bank has been supporting concerts within the scope of the Music Festival organized by the Istanbul Foundation for Culture and Arts (IKSV) since 1990.

TSKB has also taken a lead in its work in this area, neutralising the carbon footprint of the concerts it sponsored between 2014 and 2017 and enabling the festival's first and only 'zero carbon concerts' to be realized.

TSKB supports the advancement of talented young female musicians in the international arena in the branches of instruments, singing and conducting through the "Women Stars of Tomorrow" Educational Support Fund, which it launched in the context of the Istanbul Music Festival in 2018-2019. Female musicians who are accepted at undergraduate or graduate level from a music school abroad, who continue their music education abroad or who need support for participation in activities such as master classes, orchestra selection, international competition or need support for purchasing instruments which will contribute positively to their career development may apply to this fund.

Experience sharing and reporting is a valuable channel through which TSKB provides the opportunity to inform and interact with broad audiences regarding the economic, environmental and social impact it has generated through its banking activities.

TSKB also establishes productive cooperation with NGOs which generate value on issues such as sustainability and women's employment. TSKB is actively involved in and supports the joint projects

of "Equal Opportunity" and "Sustainability" Working Groups of many national and international initiatives such as BCSD Turkey, TÜSIAD, Global Compact, UNEP FI and the IDFC.

Announcing its performance results to the public with annual reports since its inception, TSKB has been offering its value in a transparent approach to all of its stakeholders with sustainability reports since 2009 and integrated reports since 2016.

In the past 10 years of its sustainability and integrated reporting practice, TSKB has inspired many companies, especially the participants of the banking sector, to incorporate sustainability in their business cycles as well as transparent stakeholder communication.

The Integrated Reports published by TSKB are among the few leading studies to be considered "case studies" in workshops, meetings and comparison analyses set out in initiatives which aim to spread Integrated Reporting in Turkey.

TSKB takes into consideration the contributions and suggestions of all stakeholder groups through the stakeholder dialogue surveys and meetings it conducts periodically. TSKB goes to great lengths to include all relevant parties in its development journey.

Believing that the impact power of social responsibility projects has become concrete over time, TSKB is focused on implementing the concept of long-term responsibility. Based on this understanding, TSKB will continue to develop projects and contribute to new areas that will play a key role in our country's sustainable development story, just like climate change and women's employment.



## SOCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS



2019 Targets	2019 Realizations
Under the Sustainable Development Goals (SDG) and inclusive finance, USD 250 million in funding is projected to be provided by the end of 2020 to support women's employment and the economy in refugee-affected areas.	Within the scope of this target, TSKB provided USD 121 million of financing in 2019.
In the 2019-2020 period, TSKB aims to raise awareness among wider audiences by increasing the number of www.cevreciyiz.com followers. In this context, the Bank aims to protect the current visitors and to increase the number of social media follower of the www.cevreciyiz.com website.	As of the end of 2019, www.cevreciyiz.com and #EqualSteps reached 55,518 and 14,895 followers respectively.
In the 2019-2020 period, the Bank aims to organize at least one Sustainability Workshop in universities annually in cooperation with Escarus.	The 2019 Sustainability Workshop was held at Özyeğin University.
In the period 2019-2020, the Bank aims to continue zero-carbon organization activities and to offset the carbon footprints of career workshops, sustainability workshops and Bank-hosted conferences by purchasing Gold Carbon Credits.	In 2019, the carbon footprint of five events hosted by TSKB with over 100 outside participants was offset.

### 2019 Other Performance Indicators

With APEX Credits, **1,371 SMEs** were reached in the last 3 years, and an additional **875 new work force** were created.

As a result of the action plans, the average score of companies improved by **15%** in 2019.\*

In 2019, **39 girls were provided with scholarships** on behalf of our external stakeholders.

**The awareness level of 100 female students was increased** with targeted activities for female college students.

**3 social and environmental conferences were sponsored** in 2019.

By participating in 5 sustainability platforms, 20 employees shared information with the business community through working groups. This number represents **nearly 12%** of TSKB's banking staff.

\*The application tool consisting of 7 main categories is used for companies to make self-evaluations on the theme credits provided by IBRD and AFD to ensure gender equality at work and to improve women's employment categories in question.

### Future Targets

Diversifying the activity in the field of sustainable development, where TSKB is a pioneer, and **raising awareness in our country**

In line with SDGs and inclusive finance, providing USD 250 million in funding by the end of 2020 in order to **support women's employment and the economy in refugee-impacted areas**

In line with SDGs and inclusive finance, **increasing awareness** while supporting women's employment, equal opportunities and the economy in refugee-affected areas



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# CORPORATE GOVERNANCE AND RISK MANAGEMENT

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## BOARD OF DIRECTORS



**H. ERSİN ÖZİNCE**  
Chairman



**SUAT İNCE**  
Board Member  
and CEO



**YAVUZ CANEVI**  
Board Member



**MEHMET ŞENCAN**  
Vice Chairman  
(Independent  
Board Member\*)



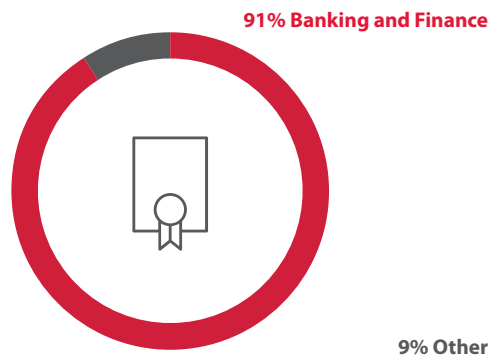
**MİTHAT RENDE**  
Board Member  
(Independent  
Board Member)



### COMMITTEE MEMBERSHIPS OF BOARD MEMBERS

-  Credit Revision Committee
-  Audit Committee
-  Corporate Governance Committee
-  Remuneration Committee
-  Sustainability Committee
-  Chairman of the relevant committee

### BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



\*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.





**ZEYNEP HANSU  
UÇAR**  
Board Member



**AHMET HAKAN  
ÜNAL**  
Board Member



**ABDİ SERDAR  
ÜSTÜNSALİH**  
Board Member



**GAMZE YALÇIN**  
Board Member  
(Independent  
Board Member\*)



**HÜSEYİN YALÇIN**  
Board Member

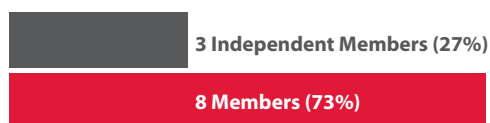


**CAN YÜCEL**  
Board Member



#### BREAKDOWN IN TERMS OF INDEPENDENCE&ROLES (%)

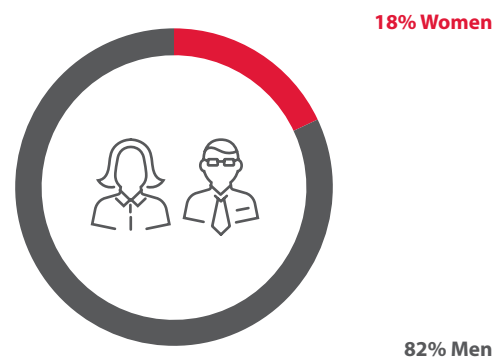
With respect to Independency



With respect to roles



#### BREAKDOWN BY GENDER (%)



## BOARD OF DIRECTORS

### H. Ersin ÖZİNCE

#### Chairman

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at Isbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at Isbank, Mr. Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. On 28 October 1998, Mr. Özince was appointed as the 15<sup>th</sup> Chief Executive Officer of Isbank.

Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince performed the Chairmanship of Isbank Board between 1 April 2011 – 31 March 2019.

Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of TSKB between 17 April 2009 – 1 April 2011, and the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 November 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017.

Mr. Özince has been the Chairman of TSKB's Board of Directors since 4 May 2017. In addition to his duties at the Bank, he serves as the Chairman of the Board of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund and as a member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation).

### Mehmet ŞENCAN

#### Vice Chairman

Having born in Adapazarı in 1964, Mr. Mehmet Şencan graduated from Management Engineering Department of İstanbul Technical University. He began his career at Isbank as an Officer at Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. He was appointed to Bursa Branch as an Assistant Manager in 1997. Mr. Şencan served as the Manager of Antakya, Gebze, Denizli and Bursa and Kozyatağı Corporate Branch unit 2017, when he was appointed as Deputy Chief Executive of Isbank. In 2019, Mr Şencan was appointed as the general manager of Anadolu Sigorta. Mr. Şencan, who was elected as a board member of TSKB on 7 June 2017, has been appointed as the Vice Chairman of the TSKB's Board of Directors. Mr Şencan is an independent board member due to his membership in Audit Committee.

### Suat İNCE

#### Board Member and CEO

Suat Ince was born in 1964 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of the bank. He served as Deputy Chief Executive of Isbank between 2008 and 2016. On 1 April 2016, Mr. Ince was elected as a member of the TSKB's Board of Directors and appointed as the Bank's Chief Executive Officer.

### Yavuz CANEVI

#### Board Member

Yavuz Canevi was born in Konya in 1939 and graduated from the Finance and Economics Department of the Faculty of Political Sciences, Ankara University in 1960. He completed a master's degree at the University of Southern California in 1969. After serving as a Ministry of Finance Inspector from 1960 to 1963, he worked in a variety of positions in public and private organizations from 1963 to 1989, until being retired from his position as Treasury Undersecretary in the latter year. Mr. Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası since 1996. Mr. Canevi, who had served as a member of TSKB's Board of Directors between 1993 and 2012, was re-appointed as a member of TSKB's Board of Directors on 9 April 2015.

### Mithat RENDE

#### Board Member

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara and assumed various duties in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London Embassies and Permanent Representatives. Mr. Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005, he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Mr. Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate Change between 2010-2013. He was also a member on the Turkish Nuclear Energy Commission during the same period. Mr. Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. Having retired in 2016, Mithat Rende has been a member of the TSKB Board of Directors since 4 April 2017. Mr. Rende is an Independent Board Member.

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### **Zeynep Hansu UÇAR**

#### **Board Member**

Ms. Zeynep Hansu Uçar was born in Ankara in 1971 and graduated from Business Administration Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. Ms. Uçar has started her professional career at Isbank as an assistant specialist in Subsidiaries Department. Having served as the Unit Manager between 2007 and 2015, she was promoted as Department Manager of the Subsidiaries Department. Ms. Uçar has been a TSKB board member since 2 December 2015.

### **Ahmet Hakan ÜNAL**

#### **Board Member**

Hakan Ünal was born in 1974 in Ankara and graduated from Economics Department of the Faculty of Economics and Administrative Sciences, Hacettepe University in 1997. He then earned his MBA degree from Institute of Social Sciences, Istanbul Bilgi University in 2007. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors in 1998, he was appointed as Assistant Manager of Credit Information and Financial Analysis Division in 2008. Having served as Unit Manager between 2011 and 2016, he was promoted as Division Head of Financial Analysis Division. Mr. Ünal has been a TSKB Board Member since 6 April 2018.

### **Abdi Serdar ÜSTÜNSALİH**

#### **Board Member**

Mr. Üstünsalih, born in 1963 in Trabzon, began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments at VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Mr. Üstünsalih became Executive Vice President in July 2018 and he has been CEO and Executive Board Member of VakıfBank since 27 May 2019. Moreover, Mr. Üstünsalih is a Board Member of the Banks Association of Turkey and the Chairman of Güneş Sigorta A.Ş. Mr. Üstünsalih has been serving as a Board Member of TSKB since 25 June 2019.

### **Gamze YALÇIN**

#### **Board Member**

Ms. Gamze Yalçın has a BSc degree in Economics from the Middle East Technical University. She also holds a master's degree in International Banking and Finance from the University of Birmingham, UK. She attended to the Advanced Management Program (AMP193) in Harvard Business School in 2017. Ms. Yalçın started her professional career at Isbank as a business analyst in 1993 and has served in various functions of the Bank. She worked in the establishment and implementation of risk management systems and processes as a risk manager. Ms. Yalçın was appointed as Deputy Chief Executive in charge of Financial Institutions and Investor Relations on 28 November 2017. Gamze Yalçın was appointed as TSKB Board Member on 18 April 2019. Due to being a member of the Bank's Audit Committee, Ms. Yalçın is an Independent Board Member.

### **Hüseyin YALÇIN**

#### **Board Member**

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at Isbank in 2011 and worked for 6 years in same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Since 6 April 2018, Mr. Yalçın has been a TSKB Board Member.

### **Can YÜCEL**

#### **Board Member**

Can Yücel was born in 1978 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1999. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors, he came to several management positions at SME Loan Allocation and Corporate Loan Allocation Departments, respectively, since 2008. Between 2011-2016, Mr. Yücel served as Project Finance Unit Manager under Corporate Loan Allocation Department, and between 2016-2020 he was positioned as the Department Manager. Can Yücel was appointed as the Başkent Corporate Ankara Branch Manager on 30 January 2020. Mr. Yücel has been appointed as a member of the TSKB's Board of Directors on 10 June 2016.

SENIOR MANAGEMENT



**SUAT İNCE**  
Board Member and CEO

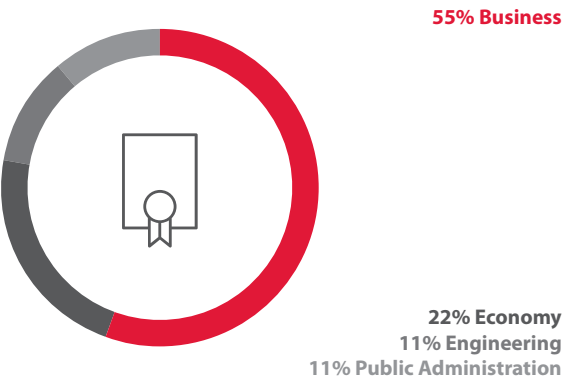


**MERAL MURATHAN**  
Executive Vice President

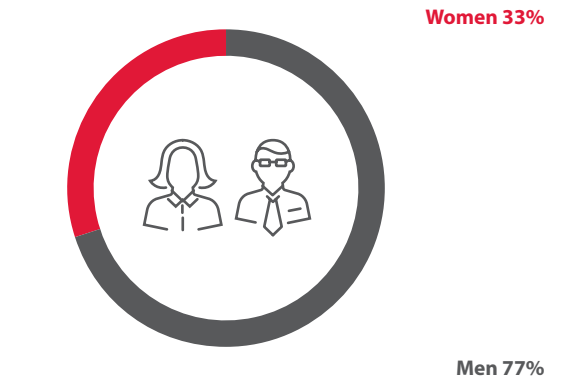


**ASLI ZERRİN HANCI**  
Executive Vice President

BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



BREAKDOWN BY GENDER (%)







**HASAN HEPKAYA**  
Executive Vice  
President



**HİDAYET YETKİN  
KESLER**  
Executive Vice  
President



**ECE BÖRÜ**  
Executive Vice  
President



**GÖKHAN  
ÇANAKPINAR**  
Executive Vice  
President



**HAKAN AYGEN**  
Executive Vice  
President



**AZİZ FERİT  
ERASLAN**  
Executive Vice  
President

## SENIOR MANAGEMENT

### **Suat İNCE**

#### **Board Member and CEO**

Suat Ince was born in 1964 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of the bank. He served as Deputy Chief Executive of Isbank between 2008 and 2016. On 1 April 2016, Mr. Ince was elected as a member of the TSKB's Board of Directors and appointed as the Bank's Chief Executive Officer.

### **Meral MURATHAN**

#### **Executive Vice President**

Meral Murathan was born in 1977 in Erzurum, and graduated from the department of Economics at Boğaziçi University. She started her career in TSKB Treasury Department in 1998. After serving in a variety of roles and positions, she served as Head of Financial Institutions between 2012 and 2019. As of 1 April 2019, Meral Murathan has been appointed as Executive Vice President in charge of Development Finance Institutions, Financial Institutions and Investor Relations Departments.

### **Aslı Zerrin HANCI**

#### **Executive Vice President**

Aslı Hancı was born in Ankara in 1969 and graduated from the Faculty of Business Administration at Istanbul University in 1990. Ms.Hancı began her professional career at Citibank in 1991. She worked at the Treasury department of Chase Manhattan and BNP Ak Dresdner Bank respectively. Ms. Hancı joined the TSKB Treasury Team in 2005. She was appointed as the Head of Securities Department in 2007 and as Head of Treasury Department in 2008. Since 1 January 2017, she has been Executive Vice President in charge of Treasury, Treasury and Capital Markets Operations and Loan Operations.

### **Hasan HEPKAYA**

#### **Executive Vice President**

Hasan Hepkaya was born in Samsun in 1981, and graduated from the department of Business Administration at Hacettepe University. He started his career in Garanti Leasing in 2003. After serving in a variety of roles and positions in Corporate Banking and Project Finance Departments in TSKB between 2005 - 2014, he was promoted as Head of Project Finance and Head of Corporate Banking respectively between 2014-2018. As of 1 April 2019, Hasan Hepkaya has been appointed as Executive Vice President and he has been in charge of Corporate Banking Marketing, Corporate Banking Sales, Project Finance and Corporate Communication.

### **Ece BÖRÜ**

#### **Executive Vice President**

Ece Börü was born in İstanbul in 1966 and graduated from Management Engineering Department of İstanbul Technical University in 1988. Ms. Börü joined TSKB as an assistant specialist in Financial Control Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of Board of Internal Auditors in 2006. Since 28 November 2013, Ms. Börü has been serving as the Executive Vice President of TSKB. She has been responsible for Loans, Loan Monitoring, Financial Control, Budget and Planning, and Financial Analysis.

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### **Hakan AYGEN**

#### **Executive Vice President**

Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of İstanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree on Management and Organization at the Marmara University in 1996. Mr. Aygen was appointed to Head of Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted as Executive Vice President on 28 November 2013. Mr. Aygen has been in charge of Corporate Finance, Economic Research, Engineering and Technical Consultancy and Business Development.

### **Hidayet Yetkin KESLER**

#### **Executive Vice President**

H. Yetkin Kesler was born in İstanbul in 1966 and graduated from the Department of Industrial Engineering at Boğaziçi University in 1989. He started his career as an Assistant Internal Auditor at Koçbank in 1992. Then he completed his master's degree of Management Engineering at İstanbul Technical University in 1993. Mr. Kesler joined TSKB as a Financial Controller Specialist in 1994 and was appointed as Head of System Development in 2005, as Head of Internal Control in 2011, and as head of Enterprise Architecture and Process Management Department in 2013. Since 1 January 2017, Kesler has been Executive Vice President responsible for Human Resources and Corporate Communications, Enterprise Architecture and Process Management, Corporate Compliance and Pension and Assistance Funds.

### **Gökhan ÇANAKPINAR**

#### **Executive Vice President**

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at İsbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since 27 December 2011 he has been working as an Executive Vice President. He has been in charge of System and Network Support, Application Development, Support Services since 1 January 2017.

### **Aziz Ferit ERASLAN**

#### **Executive Vice President**

Aziz Ferit Eraslan was born in İstanbul in 1969. Following his graduation from the Public Administration Department of Orta Doğu Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at İsbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of İsbank, Mr. Eraslan was appointed as Deputy Manager in 2000 and as Group Manager in 2003. Between 2007 and 2012, he was positioned as the Department Head at the Accounting Department, name of which was in time transformed to Financial Management Department. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer Position at Closed Joint Stock Company İsbank. In October 2015, he was appointed as Executive Vice President who is responsible for Board of Inspectors, Risk Management and Internal Control Departments at TSKB.

# CORPORATE GOVERNANCE

## SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter “TSKB” or the “Bank”) is subject to “Corporate Governance Principles” compliance of which is obligatory for banks within the framework of Capital Markets Board (CMB) and banking regulations. According to the Bank’s Articles of Association Article 55, transactions made and the resolutions of the Board of Directors passed by not observing the said obligatory principles shall be deemed as conflicting with the Articles of Association. The Bank applies the compulsory principles in “Banks’ Corporate Governance Principles Regulation” and “Corporate Governance Communique”.

Although most of the non-compulsory Corporate Governance Principles are met, there are still some principles observed incompletely, which are stated below. There are no conflicts of interest arising from failure to fully comply with the non-compulsory principles that the Bank has been exposed to.

In relation to the principle no. 1.5.2, there is no regulation in the Bank’s articles of association except for the provisions stipulated by the relevant legislation on minority rights.

In relation to the principle no. 4.6.1, a dedicated effort for Board of Directors performance assessment was not delivered.

In relation to the Principle 4.6.5, due to corporate policies, the Bank does not announce the remuneration of the senior management and board member on a personal basis. The total figure is announced in the annual report.

Filed in accordance with Capital Market Board Resolution numbered 2/49 and dated January 10, 2019, Bank’s Corporate Governance Principles Compliance Report (CRF) and Corporate Governance Information Filings (CGIF) can be reached at Public Disclosure Platform (PDP).

As one of the leading institutions in corporate governance, the Bank continued to maintain its position among the highest-rated institutions in 2019. TSKB’s corporate governance rating has been increased to 9.56 from 9.54 over 10 as the result of the assessment of Saha Rating on October 18, 2019.

### TSKB’s Corporate Governance Rating

Main Sections	Weight	Grade
Shareholders	0.25	9.51
Public Disclosure and Transparency	0.25	9.70
Stakeholders	0.15	9.85
Board of Directors	0.35	9.37
<b>Total</b>		<b>9.56</b>

## SECTION II - SHAREHOLDERS

### 2.1. Investor Relations Department

Duties and responsibilities of “Stakeholder Relations Department” are executed pursuant to the fundamentals of corporate governance which are transparency, accountability, responsibility and equality by the departments of Financial Institutions&Investor Relations and Legal Affairs. “Investor Relations Department Manager”, who holds Capital Market Activities Advanced Level Certificate and Corporate Governance Rating Specialist Certificate, serves as a member of Corporate Governance Committee as per the provisions of the governing legislation.

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Contact details of the employees who take part in Investor Relations are given in the following table:

Full Name and Title	Phone No	Electronic Mail Address
<b>Ece Börü</b> Executive Vice President for Loans, Loan Monitoring, Budget Planning, Financial Control and Loans Analysis	0 212 334 51 91	borue@tskb.com.tr
<b>Meral Murathan</b> Executive Vice President for Financial Institutions and Investor Relations, Development Finance Institutions	0 212 334 51 24	murathanm@tskb.com.tr
<b>Ayşe Nazlıca</b> Head of Financial Institutions and Investor Relations Department	0 212 334 51 94	nazlicaa@tskb.com.tr
<b>Gizem Pamukçuoğlu</b> Financial Institutions and Investor Relations Department Senior Manager	0 212 334 52 58	erarslang@tskb.com.tr
<b>Özen Çaylı</b> Financial Institutions and Investor Relations Department Manager*	0 212 334 52 49	halilogluo@tskb.com.tr
<b>Özlem Bağdatlı</b> Head of Legal Affairs Department	0 212 334 50 93	bagdatlio@tskb.com.tr
<b>Korhan Aklar</b> Legal Affairs Department Senior Manager	0 212 334 50 92	aklark@tskb.com.tr

\*Ms. Özen Çaylı, Investor Relations Department Manager, holds Capital Market Activities Advanced Level Certificate (Certificate No:204985) and Capital Market Board Corporate Governance Rating Specialist Certificate (Certificate No: 701337).

## 2.2. General Assembly Meeting

During the Ordinary General Assembly held on March 19, 2019, the shareholders were given the right to ask questions and one information request was received and answered by TSKB.

The Ordinary General Assembly Meeting of 2018 was held in the physical and electronic environment, with the participation of 213,393,521,324 shares representing such capital in the total amount of 2,133,935,213.252 TL of 280,000,000,000 shares corresponding to the Bank's total capital of 2,800 million TL. The participation rate was 76%.

The following resolutions were discussed and voted by the shareholders at the meeting:

- Constitution of the Meeting Council in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Council for the execution of the minutes of the General Assembly, was resolved unanimously by the shareholders.
- Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within

the year of 2018, was approved by majority of the shareholders' votes.

- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2018, was adopted by majority of the shareholders' votes.
- Determination of allowance for the Members of the Board of Directors, was approved by the majority of the shareholders' votes.
- In line with the Bank's Profit Distribution Policy and in light of the economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels, and assessment by the Banking Regulation and Supervision Agency about our Industry, decision to maintain the profit in equity accounts was unanimously approved by the shareholders.
- Determination of the attendance fee to be paid to the Members of the Board of Directors has been resolved by majority of the shareholders' votes.
- Appointing the independent audit firm, was adopted by the majority of the shareholders' votes.
- Amendments of Articles 11, 23 and 47 of the Bank's Articles of Association were adopted by the shareholders unanimously. These amendments can be accessed through the Public Disclosure Platform (PDP) statement dated 11.04.2019.



## CORPORATE GOVERNANCE

- The Bank's renewed Profit Distribution Policy has been adopted by the shareholders unanimously. The renewed Profit Distribution Policy can be accessed from the PDP disclosure on 01.03.2019.
- The Bank's renewed Information Disclosure Policy was submitted for the Information of the General Assembly. The renewed Disclosure Policy can be accessed from the PDP disclosure on 01.03.2019.
- Donations made during the year, 160,000 TL, were submitted for the Information of the General Assembly. In addition, the determination of the upper limit for donations to be made in 2019 was approved with the majority of shareholders.
- Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commerce Code, Articles 395 and 396.
- Pursuant to the Article 1.3.6. of the Communiqué for the Adoption and Implementation of the Corporate Governance Principles applicable by the Capital Markets Board, shareholders were informed that İş Bankası A.Ş. and TSKB are companies operating in the same sector and that some members of the Board of Directors are currently working for İş Bankası A.Ş. and Vakıflar Bankası T.A.O. in management positions.

Throughout the period, there has been no transaction where the decision had to be left to the discretion of the General Assembly due to independent board of directors' member rejections. The resolutions of the General Assembly meeting were published on PDP on 28.03.2019.

### 2.3. Profit Distribution Policy

Dividend Payment Proposal of the Board of Directors is prepared in the framework of Profit Distribution Policy approved by the General Assembly regarding the sensitive balance between shareholders' expectations and the bank's growth requirement and the profitability of the Bank. Principles governing the Bank's dividend distribution are arranged in the Articles of Association, Article 47, and there are 100 founders' shares that receive a portion of the profits distributed subject to these principles.

The Bank's dividend payment policy was disclosed to shareholders on the Bank's Turkish and English websites.

In the General Assembly Meeting on 28.03.2019, in line with the Bank's Profit Distribution Policy and in light of economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels and assessment by the Banking Regulation and Supervision Agency about our Industry, the Proposal by our Board of Directors was unanimously

approved, whereby a sum of TL 33,046,281.15 should be set aside as the statutory reserve fund out of the net financial year profit in the amount of TL 660,925,623.04 that was generated in 2018 and that a sum of TL 627,879,341.39 be transferred to extraordinary reserves and maintained in equity accounts. It was stated in the General Assembly Invitation published on PDP on 01.03.2019 that no dividend will be distributed.

### SECTION III – STAKEHOLDERS

The stakeholders, who have an interest in the bank, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, the government and potential investors submit their complaints and recommendations to the Bank by means of a communication form that can be found on the Bank's website. Furthermore, stakeholder analysis done every two years contributes in this aspect.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues. The Bank, which continues to develop mechanisms to include employees into decision-making processes, receives employee feedback via committee activities as well as periodic surveys. Besides, having gathered employees from every department, the Bank also has put the "HR Representatives" project into practice in 2017. There are no trade union activities.

The participation of employees to the management is incorporated to the internal regulations. The employees are authorized according to their signing rating in pursuant to the Directive of Türkiye Sınai Kalkınma Bankası transfer of Representation Authority published on Trade Registry Newspaper at page 483, dated November 11, 2005 with the number 8944.

Employees are able to convey their opinions and claims to the relevant persons and have contribution to the company resolutions by means of "I Have a Recommendation" and "Complaint Form" that they can access on the Bank's intranet. Moreover, there are many committees that are formed by the Bank employees, concentrating on various issues. Participation of the employees in management is also made possible by means of these committees.

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## SECTION IV – BOARD OF DIRECTORS

### 4.1. Board Members

Board of Directors consists of 11 members, which allows the activities of the Board of Directors to be organized effectively. Information about the Board of Directors' members and the CEO are given in the following table and their detailed resumes are accessible at the Bank's website and annual reports.

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Hakkı Ersin Özince	Board Chairman	Middle East Technical University, Economics and Administrative Sciences / Business Administration	43 years	4 May 2017	-	-
Mehmet Şencan*	Board Vice Chairman	Istanbul Technical University/ Management Engineering	31 years	7 Jun 2017	Audit Committee Chairman, Credit Revision Committee Member	Anadolu Anonim Türk Sigorta CEO, İş Faktoring A.Ş. Board Chairman, JSC Isbank Board Vice Chairman
Suat Ince	Board Member and CEO	Middle East Technical University, Economics and Administrative Sciences/ Economics	32 years	1 Apr 2016	Credit Revision Committee Member	TSKB A.Ş. CEO, Yatırım Finansman Menkul Değerler A.Ş. Board Chairman
Yavuz Canevi	Board Member	University of Southern California/M.A. In Economics	39 years	9 Apr 2015	-	Türkiye Ekonomi Bankası Board Chairman, FNSS Savunma Sistemleri A.Ş. Board Chairman, Global Relations Forum Founding Member, TÜSİAD High Advisory Council Member
Mithat Rende	Independent Board Member	London-RCDS/Security and International Relations	31 years	4 Apr 2017	Sustainability Committee Member	Engie Yönetim Enerji Hizmetleri ve Ticaret A.Ş. Independent Board Member, Turabder-Türkiye AB Derneği Member, Global Relations Forum Member

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Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Zeynep Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Business Administration	26 years	2 Dec 2015	Corporate Governance Committee Member, Remuneration Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Subsidiaries Department Head, Anadolu Cam Sanayi A.Ş. Board Member, Paşabahçe Cam Sanayi A.Ş. Board Member, Trakya Cam Sanayi A.Ş. Board Member, Türkiye Şişe ve Cam Fabrikaları A.Ş. Board Member, Trakya Yatırım Holding A.Ş. Board Chairman
Ahmet Hakan Ünal	Board Member	İstanbul Bilgi University/ B.A. in Business Administration	21 years	6 Apr 2018	Credit Revision Committee Member	T. İş Bankası A.Ş. Financial Analysis and Intelligence Department Head
Abdi Serdar Üstünsalih	Board Member	Selçuk University, MS. Public Administration, Gazi University, MS. Information Technologies	29 Years	25 Jun 2019	-	T. Vakıflar Bankası T.A.O. CEO, Güneş Sigorta A.Ş. Board Vice Chairman , Vakıf Enerji Board Vice Chairman
Gamze Yalçın**	Board Member	Middle East Technical University, Economics and Administrative Sciences/Economics	27 Years	18 Apr 2019	Audit Committee Member, Corporate Governance Committee Chairman, Remuneration Committee Chairman	T. İş Bankası A.Ş. Executive Vice President, İş Yatırım Ortaklığı A.Ş. Board Chairman, İsbank AG Board Vice Chairman, Türkiye Risk Yöneticileri Derneği Founding Member
Hüseyin Yalçın	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	42 years	6 Apr 2018	-	Retired bank employee
Can Yücel	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	20 years	10 Jun 2016	Credit Revision Committee Member, Sustainability Committee Member	T. İş Bankası Başkent Corporate Branch Manager, İsbank AG Board Member, JSC İsbank Georgia Board Vice Chairman

\*Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

\*\*The working principles of the Board of Directors Committees are available on the Bank's website.

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Board Member Ms. Ebru Özşuca, resigned from her post on 08.04.2019. At the Bank's Board of Directors Meeting held on April 8, 2019, it was decided Ms. Gamze Yalçın to be appointed as a Board Member within the framework of Article 363 of the Turkish Commercial Code.

Board Member, Mr. Mehmet Emin Özcan resigned from his post on 31.05.2019. Mr. Abdi Serdar Üstünsalih has been elected as a member of the Board of Directors as part of the Article 363 of the Turkish Commercial Code.

In regard to the "Policy for Female Participation in the Board of Directors" composed in 2014, assessments have been done by the Board of Directors every year. As of December 31, 2019, there was two women members in the Board of Directors. With the Board Decision dated March 26, 2019 the targeted period was extended.

#### 4.2. Operating Principles of the Board of Directors

Board of Directors gathers periodically, at least once a month, or more where the Company's business so dictates. The meeting date is set so as to allow participation of all Board Members, and Board of Directors meetings are held by participation of all members, excluding the exceptional cases under unforeseen circumstances.

In principle, Board Members participate in every meeting. Moreover, Board Members may choose to participate Board Meeting on electronic environment.

The Board's first meeting is preferably held on the same day that the board is elected. At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

A draft of the agenda for a board meeting is prepared by the CEO and finalized in line with the suggestions of the chairman and other directors. The information and documents pertaining to items on the board's agenda are sent out to members to be reviewed at least four days before the meeting. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

There is a secretariat in place for the purpose of notifying and organizing the communications with the Board of Directors. Summoning the Board of Directors meetings are made by means of phone at first, which is followed by written invitation.

Each board member is entitled to a single vote. As stipulated in the Articles of Association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board of Directors convened 47 times between 1 January 2019 and 31 December 2019. In this period, there was not any significant transaction with any affiliated parties that would require approval of General Assembly.

The possible losses resulting from mismanagement of Board of Directors and all Bank managers are under the coverage of USD 25 million insurance, which is signed by Türkiye İş Bankası A.Ş. for its group companies.

Information on the Board of Directors Committees is available in the Investor Relations section of the Bank's website under Investor Relations

#### 4.3. Remuneration Policy

The Bank carries out its activities regarding remuneration policies within the framework of the related banking regulations and Capital Market regulations. TSKB's Remuneration Policy is available on the Bank's corporate website in Investor Relations section. This policy covers all managers and employees.

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-loan extended by the bank.

The total amount of financial benefits paid such as bonus, dividend, wage, etc. to members of Board of Directors and senior management is TL 13,873 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 307,787.

## PROFIT DISTRIBUTION PROPOSAL

Pursuant to 47<sup>th</sup> article of our Articles of Association General Assembly shall be offered to reserve 2019 Net Profit of TL 701,644,528.69 as;

1. in accordance with paragraph (a) of the relevant article, allocation of TL 35,082,226.43 which is 5% of the net profit as legal reserves,
2. Allocation of the remainder TL 666,562,302.26 as extraordinary reserves.

We hereby submit to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

### Note On The Profit Distribution Proposal

In accordance with the Bank's Dividend Policy; considering the national and global economic conditions, the long term growth targets of the Bank, the sustainability of its strong equity structure, as well as the Banking Regulatory and Supervisory Agency's guidance regarding the banking sector, it will be submitted to the approval of the General Assembly, as shown in the attached 2019 Profit Distribution Proposal that of the net profit of TL 701,644,528.69, TL 35,082,226.43 will be reserved as general legal reserve, and the remaining TL 666,562,302.26 will be set aside as extraordinary reserves under shareholders' equity.



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## SUMMARIZED BOARD OF DIRECTORS' REPORT

Esteemed shareholders,

You are all welcome to the 70<sup>th</sup> Ordinary General Assembly Meeting of our Bank.

We would like to convey our kindest regards to our shareholders, their representatives and guests for honoring the hall and hereby submit to your examination and approval the Board's Annual Report and Independent Audit Report for 2019 accounting period as well as profit and loss statements.

Due to trade wars and elevated geopolitical risks, global economic growth lost momentum in 2019 in line with expectations. This led to synchronized reductions in global policy rates.

Turkey's economy, on the other hand, has passed from a rebalancing process into a recovery period in the second half of the year and, subsequently, improvements in financial indicators began to be observed. Inflation fell from 20.3% at the end of 2018 to 11.8% at the end of 2019, and USD/TL currency rate stabilized within the 5.70-5.90 range. GDP growth, which was 0.9% in 2019, is expected to be replaced by a strong recovery in 2020.

Although the banking sector loans started the year with a strong growth, it turned to a flat course with local elections and increasing geopolitical risks in the second quarter. In the second half of the year, loan growth gained momentum with the recovery in economic activity and the Central Bank's stimulation of loan growth through reserve requirements. At 2019 year-end, the asset size of the banking sector rose to TL 4.5 trillion with a hike of 16% and its total shareholders' equity expanded by 17% to reach TL 492 billion. Total loans in the sector lifted up by 11% to reach TL 2.7 trillion.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2019, on a year-on-year basis, the Bank elevated:

- its shareholders' equity by 20% to reach TL 5,666,896 thousand,
- its loan stock by 13% to reach TL 31,424,168 thousand,
- its total assets by 10% to reach TL 42,000,098 thousand.

The Bank posted a net income of TL 701,645 thousand with a surge of 6% year-on-year in 2019. As of 2019 year-end, our capital adequacy ratio, return on equity, return on tangible equity (calculated excluding market valuations of subsidiaries), return on assets and NPL ratio stood at 17.8%, 13.5%, 16.1%, 1.8% and 3.5% respectively.

Availing ourselves of this opportunity, we would like to thank our business partners, employees and all stakeholders for their contribution to such successful results and extend our warmest regards to our shareholders that honored our General Assembly meeting.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
BOARD OF DIRECTORS

## OTHER MAJOR UPDATES ON CORPORATE OPERATIONS

### Disclosures on Private Audit and Public Audit During the Accounting Period

During the current accounting period, a private audit has not been conducted at the Bank as per Articles 207, 438 and 439 of the Turkish Commercial Code. The Bank is subject to public audit by public institutions such as the BRSA, CBRT, CMB and the Competition Authority. If any matters requiring a public disclosure arise in relation to the audits conducted at the Bank by public institutions, they are publicly shared through material disclosures.

### Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Violating Legislative Provisions

Information on court proceedings are provided in the annual report and in section III/4 of part five of the non-consolidated audit report.

### Related Party Transactions

Information on the Bank's related party transactions are provided in the footnotes for the Audit Report. The conclusion of the Subsidiaries Report for 2019 drafted pursuant to Article 199 of the Turkish Commercial Code No. 6102 is provided below:

"Between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto, there are no legal procedures completed under the instructions of our controlling shareholder to the benefit of the latter or of a company affiliated thereto and no measures taken or avoided to the benefit of our controlling shareholder or a company affiliated thereto.

Furthermore, the commercial transactions, which are concluded between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto and are provided in the report in detail, are transactions required by our Bank's operations and are completed over the equal values applicable in the market. They are compliant with the principle prescribed in Article 202 of the Turkish Commercial Code No. 6102 that the controlling shareholder cannot exercise its control in a way to inflict loss on its subsidiaries.

There are no decisions against or transactions inflicting loss on our Bank under the instructions of Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto."

### Information on Operational Fields for which Support Services are Outsourced Pursuant to the Regulation on Outsourcing of Support Services by Banks and Information on the Persons and Organizations Supplying Such Services

The following services the Bank used in 2019 fall into the scope of the Regulation on Outsourcing of Support Services by Banks promulgated on November 5, 2011.

1. Server Hosting for Emergency Services provided by Superonline İletişim Hizmetleri A.Ş.
2. Riskfree Treasury Valuation System Service provided by Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
3. Swift Service Office Main Connection Service provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.
4. Internal Rating Model and Assets-Liabilities Management Infrastructure and Maintenance Service provided by Prometeia SPA
5. EFT Software Maintenance Service provided by Mor Teknoloji Yaz. İlet. Bil. Dan. ve En. San. Tic. Ltd. Şti.
6. Building and Employee Security Service provided by Tepe Savunma ve Güvenlik Sistemleri San. A.Ş.

### Amendments in the Articles of Association During the Year

The amendments of Article 11 titled "Issue of Bonds and Other Securities, with a right to purchase-replace", Article 23 titled "Board of Directors' Remuneration" and Article 47 paragraph d titled "Distribution of Dividend" of the Articles of Association of our Bank have been registered by the Registry of Commerce of Istanbul dated 10.04.2019 and promulgated in the Official Gazette No. 9810 dated 16.04.2019.

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## RISK MANAGEMENT POLICIES

### Information On Risk Policies Based On Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the Bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

### Credit Risk Management Policy

Credit risk is the possibility that the credit customer or a counterparty of an agreement being unable to fulfill the obligations pursuant to the conditions of the agreement. Whilst the most common and apparent source of credit risk is the loans granted by the Bank, other banking services carrying counterparty risk also carry credit risk. In this regard, all related banking activities are evaluated within the scope of credit risk.

Credit risk is measured and managed by taking into account the structure and characteristics of the credit, the terms and conditions of the credit agreement and financial conditions, the structure of the risk profile until the end of the maturity in parallel with possible market movements, guarantees and collaterals, internal risk ratings, possible changes in ratings during the risk exposure period, concentrations (one single company, group of affiliated companies, sector, country, etc.) and compliance with limits established by the Board of Directors to prevent such concentrations.

In measuring credit risk, the Internal Rating Based Model is used for the purposes of monitoring and controlling the credit risk and providing early warning.

Maximum effort is taken to ensure that limits and policies in agreements with foreign and domestic sources do not diverge to a significant degree from the policies and limits set by the Bank. Despite the clauses in the agreements deviate from the existing policies, they are still accepted to be in force.

### Asset-Liability Management Risk Policies

All financial risks arising from the Bank's assets and liabilities other than credit risk are defined as asset-liability management risks. The market risk of the trading portfolio, structural interest rate risk and liquidity risk fall into this category.

## RISK MANAGEMENT POLICIES

### I - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolio resulting from fluctuations in interest rates, stock prices, commodity prices or exchange rates on the financial markets. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Market risk is managed by using consistent risk measurement and criteria such as fluctuation level of interest and/or prices and Value at Risk calculations, establishing appropriate procedures regarding the performance of control and observing compliance with the identified risk limits.

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

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by back testing which is the comparison between the calculated Value at Risk and realized losses. In addition; stress tests are applied in order to determine the impacts of events, with low possibility of realization but substantial losses, on Value at Risk.

### II -Structural Interest Rate Risk Management Policy

Structural interest rate risk is the risk of change in the Bank's capital due to possible changes in interest rates through differences in the repricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

### III - Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the Bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.

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### Operational Risk Policy

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethical standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of Daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

### Risk Management Policy For Subsidiaries

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

### Policies Regarding Other Risks

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill-timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the customers and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the Bank.



## STRUCTURE OF THE AUDIT COMMITTEE

### Activities Of The Committees Established Within The Scope Of Risk Management, And Names And Surnames Of The Chairmen And Members Of These Committees

#### Audit Committee

Audit Committee is composed of 2 members, which were elected among the non-executive Members of the Board of Directors. Currently, Audit Committee members are Mr. Mehmet Şencan and Ms. Gamze Yalçın.

Audit Committee is responsible for;

- Ensuring the effectiveness and adequacy of the internal audit, internal control and risk management systems within the framework of the relevant legislation, on behalf of the Board of Directors,
- Supervising the functioning of the Internal systems, accounting and reporting systems within the framework of the Law and relevant regulations, and maintaining the integrity of the information produced,
- Making pre-assessment for the Board of Directors to choose independent audit corporations, and corporations that provide rating, valuation and support services, and regularly monitoring the activities of these corporations that sign contract with the Bank after they are chosen by the Board of Directors,
- Continuing and enabling the coordination of the Internal audit activities of the subsidiaries subject to consolidation in a consolidated manner,
- Regularly receiving reports from the units established within the scope of Internal systems, and from the independent audit corporations with respect to their execution of the tasks and reporting the detected malfunctions to the Board of Directors.

All members of the Audit Committee attended the 34 meetings held by the Audit Committee in 2019.

#### DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

Executive Vice President In Charge Of Internal Systems: Aziz Ferit Eraslan

Term of Office	Professional Experience	Worked Previously In	Education
4 Years	27 Years	Isbank Financial Management Department, CJSC Isbank (Russia)	Master's Degree Abroad

Head of Internal Auditors: Mehmet Sungun

Term of Office	Professional Experience	Worked Previously In	Education
6 Years	26 Years	Financial Analysis, Loans, Corporate Banking, Risk Management Departments	Master's Degree in Turkey

Head of Risk Management: Fuat Sönmez

Term of Office	Professional Experience	Worked Previously In	Education
3,5 Years	21 Years	System Development and Quality Management, Board of Internal Auditors, Process Management Departments	Bachelor's Degree in Turkey

Head of Internal Control: Simay Kimyacı

Term of Office	Professional Experience	Worked Previously In	Education
3 Years	21 Years	Treasury Department	Bachelor's Degree in Turkey

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## AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE'S ASSESSMENT ON FUNCTIONING OF INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THEIR ACTIVITIES IN 2018

Audit Committee held 34 meetings in 2019. In these meetings, the Audit Committee carried out activities to fulfill the duties and responsibilities specified within the scope of "Activities of the Committees established within the scope of Risk Management, and Names and Surnames of the Chairmen and Members of these Committees" Section of the Annual Report, and the "Regulation On The Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy".

Internal audit, internal control and risk management activities in the Bank are carried out by the Board of Internal Auditors, Internal Control Department, and the Risk Management Department. Relevant departments' duties and responsibilities were specified by the regulations approved by the Board of Directors. All three departments carry out their activities under the Executive Vice President in charge of Internal Systems, who is independent from executive activities and executive units and directly reports to the Audit Committee. Evaluating the internal systems established to cover all branches and units, and subsidiaries subject to consolidated audit, their functioning, and maintaining their adequacy and effectiveness are among the Board of Directors' priorities. Within the scope of internal systems, Board of Directors' duties and responsibilities are fulfilled by the Board of Directors, Audit Committee, Executive Vice President who is in charge of internal systems, and Departments of Internal Audit, Internal Control and Risk Management.

#### Board of Internal Auditors

Board of Internal Auditors provides assurance in; i) carrying out bank activities in line with the Law and other relevant legislation as well as the internal strategies, policies, principles and targets of the bank, and ii) effectiveness and adequacy of the internal control and risk management systems. Planning and carrying out its audit activities with risk oriented approach, the Audit Board evaluates the potential risks in Headquarters units, one branche, subsidiaries and Bank's information systems and processes, and evaluates whether or not internal control, risk management and corporate governance systems are compliant, effective and efficient as well as examining the accuracy and reliability of accounting records and financial reports.

Board of Internal Auditors does not only deliver findings as a result of the audits it conducts. It also develops opinions and suggestions that will prevent deficiencies, faults and misconducts (if any) from repeating, develop processes, increase efficiency and effectiveness and strengthen internal systems. Furthermore, it follows up the findings and related measures taken closely as well as providing information about the developments with respect to the issues tracked in the Audit Committee meetings held during the year.

In 2019, Board of Auditors conducted 37 audits in terms of banking processes and information systems in total composed of Head Office departments, Bank's 3 subsidiaries as well as 6 firms from which the Bank procured banking processes and support services.

As a result of the audits and assessments made in 2019, there have not been any material finding identified, that may have negative impact on the Bank's activities, and hinder the Bank from fulfilling its liabilities. It was concluded that; the Bank's Internal control and risk management systems functioned well, Bank's activities had low risk in general, financial and legal reports were accurate, Bank complied with the legislation.

In conclusion; the internal audit system was effective and successful in measuring, detecting and eliminating risks with its risk oriented approach, qualified human resources, experienced and prudent management.

## AUDIT COMMITTEE REPORT

### Internal Control

The Internal Control Department is responsible for the presence of the internal control system that covers control activities to identify in advance and manage the risks to which the Bank may be exposed in its efforts to achieve its aims; to ensure that the Bank's operations are effective and productive; to protect the Bank's assets; to comply with current laws and regulations; and to safeguard the reliability and integrity of the accounting and financial reporting systems. Within this scope, internal control activities are carried out by the competent and experienced internal control personnel.

According to Banking Regulation and Supervisory Association (BRSA) regulation published in the Official Newspaper on June 11, 2014 dated with the number 29057 internal control activities are a part of all of the executive functions of the Bank. It is expected that a structure in compliance with the COSO components is established, units carry out self-assessment, function processes and potential threads induced by the operations and the assessment of weaknesses for these threads and the adverse impact of the related threads and weaknesses are analysed.

Accordingly, "Operational Risk Map" workshop was launched by the Internal Control Department, within the 2018 masterplan. As a result of this workshop, establishment of a strong corporate culture and measurement of discrete and inter-related operational risks will be realized as stated in Guide to Operational Risks of BRSA.

It is targeted with the project that Triple Defense Line that is an effective method to manage risks and control the operational activities in the future will be developed. Therefore, it is targeted to provide a concrete basis for forcefulness and the perfection of the assurance to the stakeholders, legal entities, employees, and the Board of Directors and to compose a meaningful operational loss data pool that will be a base or advanced measurement approach.

As the process of preparing an "Operational Risk Map" started in 2018 with the Treasury operations, it will continue with the other banking activities and it will be repeated every year to follow the developments of the operational risk levels.

### Risk Management

The risk management process, which is organized under risk management regulations and serves for the establishment of a companywide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities. Risk Management Department; i) carries out these activities developing the systems needed within this scope, ii) monitors risks' compliance with policies and standards, and Bank limits, iii) continues the activities for compliance with the relevant legal legislation and the Basel criteria. Risk measurements specified in reporting, are made with an approach developed in internal models besides the standard approach used in legal reporting, while they are also supported with the stress tests.

Risk Management Department submits its detailed unconsolidated risk management reports prepared on monthly basis and consolidated risk management reports on quarterly basis to the Board of Directors via the Audit Committee.

In 2019, in addition to the reports presented to the Board of Directors; risk and capital adequacy measuring and reporting activities for legal and MIS purposes continued.

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Activities were carried out to comply with the various legal regulations and Risk Guidelines.

Besides, activities of the Internal Capital Adequacy Assessment Process (ICAAP) and its reporting process, were coordinated. Within this scope, detailed stress tests and scenario analysis were conducted, and projections were made for future period's capital requirement.

Other than routine operations in 2019; infrastructural improvements were made for compliance with the draft regulations used by the BRSA, existing reporting and systematic monitoring of limits.

The Audit Committee continued to report to Board of Directors regarding the operational results, necessary measures, practices and its comments on other critical issues that ensure the Bank's operations to continue reliably.

The Audit Committee monitored the compliance of the Bank to regulations pertaining to internal control, internal audit and risk management and to Bank policies and practices which are approved by the Board. As a result of the Audit Committee's evaluations and reviews, it was seen that the Bank's internal systems were effectively functioning as they were planned, and that the internal controls made for financial reporting were effective. The Audit Committee evaluated the support services that the Bank procured, and monitored the efforts of taking certain measures for managing the risks efficiently in the procurement process. Moreover; independent audit results, yearly and quarterly financial results as well as independent audit reports were assessed with the independent auditors. During their operations related to the Bank; the independency of the rating agencies', independent auditors' and appraisal companies' and the sufficiency of the resources allocated to them were reviewed.

With respect to the activities and functioning of internal systems - internal audit, internal control and risk management - in 2019; we believe that the activities performed were highly qualified and satisfactory.



Mehmet Şencan  
Chairman of the Audit Committee



Gamze Yalçın  
Audit Committee Member





## ASSURANCE LETTERS AND ISO CERTIFICATES

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- 134** Independent Assurance Statement
- 136** Reporting Guidance
- 138** ISO 14001 Certificate
- 139** ISO 14064 Certificate



## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

### 1) Qualified Opinion

We have audited the annual report of Türkiye Sınai Kalkınma Bankası A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") for the period of 1 January 2019 – 31 December 2019.

In our opinion, except for the matter disclosed in the Basis for Qualified Opinion Paragraph, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

### 2) Basis for Qualified Opinion

As we have expressed a qualified opinion in our auditor's reports dated 3 February 2020, the consolidated financial statements of the Group as at 31 December 2019 include a free provision at an amount of TL 220.000 thousands, was provided in prior years respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior Years' Profit/Loss" as of 31 December 2019 is understated by TL 220.000 thousands.

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

### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's reports dated 3 February 2020 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2019 – 31 December 2019.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on "Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks", the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
  - Subsequent events occurred after the end of the fiscal year which have significance.



- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits,
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

#### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , "Regulation on Accounting Applications for Banks Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



2 March 2020  
İstanbul, Türkiye



## **Limited Assurance Report to the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş.**

We have been engaged by the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the Türkiye Sinai Kalkınma Bankası A.Ş. Integrated Annual Report ("the 2019 Integrated Annual Report") for the year ended 31 December 2019 and listed below.

### **Selected Information**

The scope of the Selected Information for the year ended 31 December 2019, which is subject to our independent limited assurance work, set out in the "Reporting Guidance" on 136-137 pages of the 2019 Integrated Annual Report is summarised below:

- Share of sustainability themed loans in loan portfolio as at end of 2019
- Gender ratio of management
- Gender ratio of Board of Directors
- Training hours (average hours of training per employee)
- Participation rate for employee satisfaction survey
- Internal environmental impacts of the Bank's activities
  - Electricity consumption (kwh)
  - Natural gas consumption (m3)
  - Water consumption (m3)
  - Paper consumption (kg)
  - Electricity intensity (Consumption in kWh/m<sup>2</sup>)
  - Water intensity (Consumption in m<sup>3</sup> / Staff)
  - Recycled waste amount (kg)
- Total installed capacity funded from renewable energy portfolio as at end of 2019
- Share of this installed capacity in Turkey's renewable energy capacity as at end of 2019
- Contribution to CO<sub>2</sub> emission reduction as at end of 2019

Our assurance was with respect to the year ended 31 December 2019 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2019 Integrated Annual Report and, therefore, do not express any conclusion thereon.

### **Criteria**

The criteria used by the Bank to prepare the Selected Information is set out in Reporting Guidance' (the 'Reporting Guidance') on page 136-137 of the 2019 Integrated Annual Report.

### **The Bank's Responsibility**

The Bank is responsible for the content of the 2019 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

### **Inherent Limitations**

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure nonfinancial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

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### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information', and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.


Given the circumstances of the engagement, in performing the procedures listed above we:

- making inquiries of the persons responsible and the Bank's management for the Selected Information;
- understanding the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- undertaking analytical procedures over the reported data.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2019, is not properly prepared, in all material respects, in accordance with the Reporting Guidance. This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Sinai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2019 Integrated Annual Report for the year ended 31 December 2019, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sinai Kalkınma Bankası A.Ş. as a body and the Türkiye Sinai Kalkınma Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

**PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**



**Ediz Günsel, SMMM  
Partner**

Istanbul, 2 March 2020



## TÜRKİYE SINAI KALKINMA BANKASI 2019 INTEGRATED ANNUAL REPORT – REPORTING GUIDANCE

This reporting guidance ("Guidance") provides information on the data preparation and reporting methodologies of indicators within the scope of the independent audit in the 2019 Türkiye Sınai Kalkınma Bankası ("Bank") Integrated Annual Report. These indicators include share of sustainability themed loans in loan portfolio, gender ratio of management, gender ratio of Board of Directors, training hours, participation rate for employee satisfaction survey, internal environmental impact of the Bank (electricity, natural gas, water and paper consumption, electricity and water intensity, recycled waste amount), total installed capacity funded from renewable energy portfolio, Share of this installed capacity in Turkey's renewable energy capacity and contribution to CO<sub>2</sub> emission reduction. It is the responsibility of the Bank's management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance. The data included in this guideline is for the FY 19 (1 January – 31 December 2019), fiscal year ended December 31, 2019, comprises only the relevant operations that are the responsibility of the Bank and excludes information about group companies.

### General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

### Key Definitions

For the purpose of this report, the Bank defines:

Capital	Indicator	Scope
Financial	Share of sustainability themed loans in loan portfolio	This indicator means the percentage (%) by financial value (in USD) of the Bank's sustainability-themed loans (excluding loans to financial sector) compared to the Bank's total loan portfolio as at the end of 2019. This percentage was obtained by excluding the loans extended to the financial sector while including APEX loans in the Bank's total loan portfolio. Sustainable themed loans are listed under 3 main headings:
		APEX Loans: The Bank defines APEX loans as the loans provided only to SMEs and exporters through other financial institutions including leasing companies, commercial banks and participation banks
		Themed loans Titles under sustainable loans are: <ul style="list-style-type: none"> <li>• Energy Generation (excluding thermic power plants)</li> <li>• Energy and Resource Efficiency</li> <li>• Environment</li> <li>• Sustainable Tourism</li> <li>• Electricity and Gas Distribution (not the whole loan but the infrastructure loans within the sub-sector)</li> <li>• Education&amp;Health</li> <li>• Small&amp;Medium Enterprises</li> <li>• Women Employment</li> <li>• Occupational Health and Safety</li> <li>• Export loans</li> <li>• Innovation</li> </ul>
Human	Gender ratio of management	The Turkish private sector export ratio average was 19,4% in 2019. This means that 19.4% of the goods and services produced in the country are exported. As a development bank, TSKB considers exports as an important indicator for sustainable development of the economy and considers loans provided to companies with export ratios than 19% (calculated as ratio of foreign sales to total net sales) amongst sustainable-themed loans.
		This indicator only means the gender distribution of total Management level employees (Chief Executive Officer, Executive Vice President, Department Head, Senior Manager, Junior Manager) of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
		This indicator only means the gender distribution of Board of Directors of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
		This indicator only means the total number of training hours provided to its Banking Operations employees (Employees in Head-Office Buildings and the Branches excluding the administrative staff) divided by the average number of FTE employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
		This indicator only means the ratio of the total number of employees who responded to the survey divided by the total number of survey participants during the reporting period.
Human	Gender ratio of Board of Directors	
Human	Traning hours	
Human	Participation rate for employee satisfaction survey	

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	<b>Internal Impacts</b> (excluding affiliates)	This indicator only means the environmental impacts of the Bank's activities from its head-office buildings during the reporting period.
	Electricity consumption (kWh)	This indicator means the total electricity consumption includes electricity used for heating and other business operations that require electricity during the reporting period
	Natural gas consumption (m <sup>3</sup> )	This indicator means the total natural gas (NG) consumption includes NG used for heating, cooking and other business operations that require natural gas during the reporting period.
	Water consumption (m <sup>3</sup> )	This indicator means the total municipal water consumption during the reporting period.
Natural	Paper consumption (kg)	This indicator means the total paper and cardboard consumption during the reporting period.
	Electricity intensity (kWh/m <sup>2</sup> )	This indicator means the total electricity usage (in kWh) divided by the floor area (in m2) occupied by the Bank during the reporting period.
	Water intensity (m <sup>3</sup> /staff)	This indicator means the total water consumption (in m3) divided by the average number of Bank employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
	Recycled waste amount (kg)	This indicator means the weight of recycled waste of glass, plastic and paper during the reporting period.
Natural	Total installed capacity funded from renewable energy portfolio	This indicator means the total installed renewable energy capacity, in MW, partially or totally financed by the Bank as at the reporting period end.
Natural	Share of this installed capacity in Turkey's renewable energy capacity	This indicator means the total renewable energy capacity, in MW, financed by the Bank compared against Turkey's total installed renewable energy capacity as at the reporting period end.
Natural	Contribution to CO <sub>2</sub> emission reduction	This indicator means the estimated total CO <sub>2</sub> emissions reduction from the renewable energy projects financed by the Bank as at the reporting period end.

#### 4. Data Preparation

##### Electricity, Natural Gas and Water Consumption

Within the scope of the calculations, only the Bank's own buildings are included, and consumption related to subsidiaries or group companies are not included. While calculating these values, to decontaminate the calculation, the average number of employees, based on the number of employees at the end of June and December, and the average m2 information are used.

Natural gas and water consumption data are obtained from supplier meters, service provider invoices and daily measurement counters of the Bank. Since these consumptions are reported on the type of supply unit, no conversion factor is used.

Electricity and water intensity data are obtained from the ratio of annual consumption to the number of employees obtained by averaging the Bank's employee figures at the end of June and December.

##### Total installed capacity funded from renewable energy portfolio

This indicator is calculated by assessing the renewable energy portfolio of the Bank. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

##### Share of this installed capacity in Turkey's renewable energy capacity

This indicator is calculated by assessing the renewable energy portfolio of the Bank and the total capacity of renewable energy projects in Turkey. The related information on Turkey was achieved through the year end (December 2019) installed capacity report of Turkish Electricity Transmission corporation (TEİAŞ). In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

##### Contribution of renewable energy portfolio to CO<sub>2</sub> emission reduction

CO<sub>2</sub> emission reduction is calculating by using the emission coefficient calculated by the Bank's own methodology. Bank'a'nın kendi metodolojisi ile hesaplanan emisyon katsayısı yardımıyla hesaplamaktadır. The assumptions for calculating the reduction for each renewable energy efficiency ratio were based on using the Turkey sector average of the last three years of the different renewable energy sources. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

#### 5. Restatements

The measuring and reporting of sustainability-related data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.



## ISO 14064 CERTIFICATE

**bsi.**

**Carbon Footprint Verification**  
Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:  
**TSKB Türkiye Sınai Kalkınma Bankası A.Ş.**  
Nispetiye Mahallesi Cad. 83 Fındıklı 34427 İstanbul

**Holds Statement No: GHGEV 588323**

EMISSIONS DETAILS	
Reporting Year(s):	01/01/2019-31/12/2019
Date of Emissions Report:	05.02.2020
Scope 1 Emissions in tCO <sub>2</sub> e	362
Scope 2 Emissions in tCO <sub>2</sub> e	8
Scope 3 Emissions in tCO <sub>2</sub> e	N/A
Total Reported Emissions in tCO <sub>2</sub> e	362

FACILITY VERIFICATION DETAILS	
Proportion of facilities inspected during the verification:	100%

**OPINION - verified:** BSI Group Eurasia Certification Services Inc. has conducted a verification of the greenhouse gas data reported by TSKB Türkiye Sınai Kalkınma Bankası A.Ş. in its Emissions Report dated 05<sup>th</sup> February 2020 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fairly stated.

**OPINION - verified with comments:** As a result of verification procedures, it is the opinion of BSI with reasonable assurance that:  
The Greenhouse Gas Emissions for the period from 01/01/2019 to 31/12/2019 is 362 tonnes of CO<sub>2</sub> equivalent (materiality level is 1%).  
No material misstatements in the selected base year Greenhouse Gas Emissions calculation for TSKB Türkiye Sınai Kalkınma Bankası A.Ş. were revealed.  
Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.

**Lead Verifier:** Mehmet Kurnu  
**Technical Reviewer:** Furkan İrdilçioğlu  
**Signed on behalf of BSI Group Eurasia Certification Services Inc.:** Yonca Çakar  
**Date of Opinion:** 24.02.2020

**bsi.**

**Carbon Footprint Verification**  
Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:  
**TSKB Türkiye Sınai Kalkınma Bankası A.Ş.**  
Nispetiye Mahallesi Cad. 83 Fındıklı 34427 İstanbul

**Holds Statement No: GHGEV 588323**

EMISSIONS DETAILS	
Reporting Year(s):	01/01/2019-31/12/2019
Date of Emissions Report:	05.02.2020
Scope 1 Emissions in tCO <sub>2</sub> e	N/A
Scope 2 Emissions in tCO <sub>2</sub> e	N/A
Scope 3 Emissions in tCO <sub>2</sub> e	406
Total Reported Emissions in tCO <sub>2</sub> e	406

FACILITY VERIFICATION DETAILS	
Proportion of facilities inspected during the verification:	100%

**OPINION - verified:** BSI Group Eurasia Certification Services Inc. has conducted a verification of the greenhouse gas data reported by TSKB Türkiye Sınai Kalkınma Bankası A.Ş. in its Emissions Report dated 05<sup>th</sup> February 2020 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fairly stated.

**OPINION - verified with comments:** As a result of verification procedures, it is the opinion of BSI with limited assurance that:  
The Greenhouse Gas Emissions for the period from 01/01/2019 to 31/12/2019 is 406 tonnes of CO<sub>2</sub> equivalent (materiality level is 20%).  
No material misstatements in the selected base year Greenhouse Gas Emissions calculation for TSKB Türkiye Sınai Kalkınma Bankası A.Ş. were revealed.  
Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.

**Lead Verifier:** Mehmet Kurnu  
**Technical Reviewer:** Furkan İrdilçioğlu  
**Signed on behalf of BSI Group Eurasia Certification Services Inc.:** Yonca Çakar  
**Date of Opinion:** 24.02.2020







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## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

### **INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

#### **FOR THE YEAR ENDED DECEMBER 31, 2019**

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

## **INDEPENDENT AUDITOR'S REPORT**

### **To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.**

#### **Audit of Unconsolidated Financial Statements**

##### **Qualified Opinion**

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

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

##### **Basis for Qualified Opinion**

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

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

##### **Key Audit Matters**

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

Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="277 357 902 425"><b>Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9</b></p> <p data-bbox="277 433 902 588">As presented in Section 3 disclosure VIII the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 “Financial Instruments”. We considered the impairment of financial assets as a key audit matter since:</p> <ul data-bbox="277 596 902 1385" style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- The classification of the financial assets is based on the Bank’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Bank determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Bank management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul>	<p data-bbox="902 433 1513 470">Our audit procedures included among others include:</p> <ul data-bbox="902 478 1513 1661" style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank’s past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management’s key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.</li> <li>- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank’s Business model.</li> <li>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements</li> <li>- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank’s past performance. Evaluating the alignment of those forward looking parameters to Bank’s internal processes where applicable.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis.</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> <li>- Auditing of TFRS 9 disclosures.</li> </ul>

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

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

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

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

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM  
Partner

3 February 2020  
İstanbul, Türkiye

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

<sup>(\*)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018 <sup>(*)</sup>			
LIABILITIES AND EQUITY		Section 5 Note II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
II.	FUNDS BORROWED	(3)	615.530	25.731.401	26.346.931	127.007	23.449.011	23.576.018
III.	MONEY MARKET BALANCES		369.384	662.172	1.031.556	41.543	137.458	179.001
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	6.023.450	6.023.450	-	6.949.189	6.949.189
4.1	Bills		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	6.023.450	6.023.450	-	6.949.189	6.949.189
V.	BORROWER FUNDS		2.494	56.456	58.950	2.408	30.121	32.529
5.1	Borrower Funds		2.494	56.456	58.950	2.408	30.121	32.529
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	276.933	207.410	484.343	442.269	350.050	792.319
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		276.933	207.410	484.343	442.269	350.050	792.319
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	34.278	-	34.278	-	-	-
X.	PROVISIONS	(7)	237.349	22.070	259.419	247.284	10.292	257.576
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		14.724	-	14.724	12.089	-	12.089
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		222.625	22.070	244.695	235.195	10.292	245.487
XI.	CURRENT TAX LIABILITY	(8)	77.425	-	77.425	91.846	-	91.846
XII.	DEFERRED TAX LIABILITY	(8)	-	-	-	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(10)	-	1.830.045	1.830.045	-	1.549.774	1.549.774
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	1.830.045	1.830.045	-	1.549.774	1.549.774
XV.	OTHER LIABILITIES		127.560	59.245	186.805	121.059	29.796	150.855
XVI.	SHAREHOLDERS' EQUITY		5.670.253	(3.357)	5.666.896	4.788.438	(69.434)	4.719.004
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		374	-	374	374	-	374
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		374	-	374	374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		901.026	(147)	900.879	843.954	5.756	849.710
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		51.932	(3.210)	48.722	(71.166)	(75.190)	(146.356)
16.5	Profit Reserves		1.215.276	-	1.215.276	518.691	-	518.691
16.5.1	Legal Reserves		303.070	-	303.070	270.024	-	270.024
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		833.645	-	833.645	170.106	-	170.106
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		701.645	-	701.645	696.585	-	696.585
16.6.1	Prior Years' Profit/Loss		-	-	-	35.659	-	35.659
16.6.2	Current Year Profit/Loss		701.645	-	701.645	660.926	-	660.926
TOTAL LIABILITIES AND EQUITY			7.411.206	34.588.892	42.000.098	5.861.854	32.436.257	38.298.111

<sup>(\*)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**
**AS OF 31 DECEMBER 2019**

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

		Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
	Section 5 Note III	TL	FC	Total	TL	FC	Total
<b>OFF BALANCE SHEET</b>							
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>7.646.516</b>	<b>56.481.115</b>	<b>64.127.631</b>	<b>9.601.673</b>	<b>54.896.234</b>	<b>64.497.907</b>
<b>I. GUARANTEES AND COLLATERALS</b>	<b>(1)</b>	<b>450.736</b>	<b>4.096.982</b>	<b>4.547.718</b>	<b>487.947</b>	<b>2.685.862</b>	<b>3.173.809</b>
1.1 Letters of Guarantee		450.736	1.368.294	1.819.030	487.947	1.095.048	1.582.995
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		450.736	1.368.294	1.819.030	487.947	1.095.048	1.582.995
1.2 Bank Acceptances		-	190.447	190.447	-	-	-
1.2.1 Import Letter of Acceptance		-	190.447	190.447	-	-	-
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.1 Documantery Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantess		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>450.117</b>	<b>3.181.266</b>	<b>3.631.383</b>	<b>469.766</b>	<b>2.621.343</b>	<b>3.091.109</b>
2.1 Irrevocable Commitments		104.408	336.269	440.677	232.991	358.418	591.409
2.1.1 Forward Asset Purchase and Sale Commitments		4.506	16.898	21.404	29.356	67.684	97.040
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	96.782	96.782	400	97.405	97.805
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		99.902	222.589	322.491	203.235	193.329	396.564
2.2 Revocable Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.1 Revocable Loan Granting Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>6.745.663</b>	<b>49.202.867</b>	<b>55.948.530</b>	<b>8.643.960</b>	<b>49.589.029</b>	<b>58.232.989</b>
3.1 Derivative Financial Instruments for Hedging Purposes		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.1 Fair Value Hedge		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		6.745.663	32.682.437	39.428.100	8.643.960	31.560.900	40.204.860
3.2.1 Forward Foreign Currency Buy/Sell Transactions		2.715.295	2.672.415	5.387.710	1.819.934	1.981.015	3.800.949
3.2.1.1 Forward Foreign Currency Transactions-Buy		1.359.615	1.335.965	2.695.580	974.149	964.311	1.938.460
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.355.680	1.336.450	2.692.130	845.785	1.016.704	1.862.489
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		3.142.346	29.122.244	32.264.590	4.260.046	26.861.956	31.122.002

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		<b>Audited Current Period 31 December 2019</b>			<b>Audited Prior Period 31 December 2018</b>		
	<b>Section 5 Note III</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>
<b>OFF BALANCE SHEET</b>							
3.2.2.1 Foreign Currency Swap-Buy		523.843	6.474.510	6.998.353	827.263	6.479.239	7.306.502
3.2.2.2 Foreign Currency Swap-Sell		2.618.503	3.950.480	6.568.983	3.432.783	3.670.711	7.103.494
3.2.2.3 Interest Rate Swap-Buy		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.2.4 Interest Rate Swap-Sell		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.3 Foreign Currency, Interest Rate, and Securities Options		888.022	887.778	1.775.800	2.563.980	2.704.528	5.268.508
3.2.3.1 Foreign Currency Options-Buy		444.061	443.889	887.950	1.281.990	1.352.264	2.634.254
3.2.3.2 Foreign Currency Options-Sell		443.961	443.889	887.850	1.281.990	1.352.264	2.634.254
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	13.401	13.401
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>73.293.060</b>	<b>466.201.948</b>	<b>539.495.008</b>	<b>69.544.760</b>	<b>361.651.050</b>	<b>431.195.810</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>649.217</b>	<b>632.325</b>	<b>1.281.542</b>	<b>114.936</b>	<b>222.460</b>	<b>337.396</b>
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		55.046	632.325	687.371	63.577	221.641	285.218
4.3 Checks Received for Collection		248	-	248	130	-	130
4.4 Commercial Notes Received for Collection		-	-	-	-	819	819
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		593.923	-	593.923	51.229	-	51.229
<b>V. PLEDGES ITEMS</b>		<b>52.954.751</b>	<b>254.620.387</b>	<b>307.575.138</b>	<b>50.393.171</b>	<b>208.821.948</b>	<b>259.215.119</b>
5.1 Marketable Securities		471.248	13.784.545	14.255.793	484.248	12.637.631	13.121.879
5.2 Guarantee Notes		95.146	3.691.401	3.786.547	72.616	3.179.739	3.252.355
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.805.563	63.849.083	67.654.646	3.232.486	56.825.467	60.057.953
5.6 Other Pledged Items		48.582.794	173.295.358	221.878.152	46.603.821	136.179.111	182.782.932
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>19.689.092</b>	<b>210.949.236</b>	<b>230.638.328</b>	<b>19.036.653</b>	<b>152.606.642</b>	<b>171.643.295</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>80.939.576</b>	<b>522.683.063</b>	<b>603.622.639</b>	<b>79.146.433</b>	<b>416.547.284</b>	<b>495.693.717</b>

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

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

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

AT 31 DECEMBER 2019

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

STATEMENT OF PROFIT OR LOSS		Audited Current Period 1 January 2019 - 31 December 2019	Audited Prior Period 1 January 2018 - 31 December 2018 <sup>(1)</sup>
	Section 5 Note IV		
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>3.254.968</b>	<b>3.034.857</b>
1.1 Interest on Loans		2.212.758	2.104.578
1.2 Interest Received from Reserve Deposits		7.101	10.258
1.3 Interest Received from Banks		54.384	35.785
1.4 Interest Received from Money Market Placements		290.421	107.120
1.5 Interest Received from Marketable Securities Portfolio		669.120	760.996
1.5.1 Fair Value through Profit or Loss		3	20
1.5.2 Fair Value through other Comprehensive Income		442.319	358.776
1.5.3 Measured at Amortized Cost		226.798	402.200
1.6 Finance Lease Interest Income		6.406	6.060
1.7 Other Interest Income		14.778	10.060
<b>II. INTEREST EXPENSES (-)</b>	<b>(2)</b>	<b>1.323.131</b>	<b>1.281.465</b>
2.1 Interest on Deposits		-	-
2.2 Interest on Funds Borrowed		638.406	561.487
2.3 Interest on Money Market Borrowings		111.504	227.216
2.4 Interest on Securities Issued		556.212	491.351
2.5 Leasing Interest Expense		9.402	-
2.6 Other Interest Expense		7.607	1.411
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1.931.837</b>	<b>1.753.392</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>29.758</b>	<b>19.001</b>
4.1 Fees and Commissions Received		36.241	25.749
4.1.1 Non-cash Loans		25.157	21.798
4.1.2 Other		11.084	3.951
4.2 Fees and Commissions Paid (-)		6.483	6.748
4.2.1 Non-cash Loans		968	967
4.2.2 Other		5.515	5.781
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>7.123</b>	<b>4.011</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>(445.660)</b>	<b>(267.231)</b>
6.1 Securities Trading Gains/(Losses)		1.320	2.013
6.2 Derivative Financial Instruments Gains/Losses		(553.297)	(477.108)
6.3 Foreign Exchange Gains/Losses (Net)		106.317	207.864
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>31.612</b>	<b>94.158</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.554.670</b>	<b>1.603.331</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>458.882</b>	<b>501.193</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>(6)</b>	<b>-</b>	<b>30.000</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>126.726</b>	<b>106.436</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>74.835</b>	<b>56.439</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>894.227</b>	<b>909.263</b>
<b>XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XV. PROFIT/(LOSS) ON EQUITY METHOD</b>		-	-
<b>XVI. GAIN/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>894.227</b>	<b>909.263</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>192.582</b>	<b>248.337</b>
18.1 Provision for Current Income Taxes		280.993	146.335
18.2 Deferred Tax Income Effect (+)		193.387	249.477
18.3 Deferred Tax Expense Effect (-)		281.798	147.475
<b>XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(9)</b>	<b>701.645</b>	<b>660.926</b>
<b>XX. INCOME ON DISCONTINUED OPERATIONS</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>		-	-
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>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</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>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(10)</b>	<b>701.645</b>	<b>660.926</b>
Earning/(loss) per share		0,251	0,236

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

						<b>Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss</b>		
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>Paid-in Capital</b>	<b>Share Premiums</b>	<b>Share Cancellation Profits</b>	<b>Other Capital Reserves</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Prior Period - 31 December 2018</b>								
<b>I. Prior Period End Balance</b>		<b>2.400.000</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>32.571</b>	<b>173</b>	<b>104.961</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>								
2.1 Effects of Errors		-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.400.000</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>32.571</b>	<b>173</b>	<b>104.961</b>
<b>IV. Total Comprehensive Income</b>						<b>8.337</b>	<b>(522)</b>	<b>704.190</b>
<b>V. Capital Increase by Cash</b>						-	-	-
<b>VI. Capital Increase by Internal Sources</b>		<b>400.000</b>				-	-	-
<b>VII. Effect of Inflation on Paid-in Capital</b>						-	-	-
<b>VIII. Convertible Bonds to Share</b>						-	-	-
<b>IX. Subordinated Debt Instruments</b>						-	-	-
<b>X. Increase/Decrease by Other Changes</b>						-	-	-
<b>XI. Profit Distribution</b>						-	-	-
11.1 Dividends Distributed		-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>40.908</b>	<b>(349)</b>	<b>809.151</b>

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 statement

Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
	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
	7.847	(39.405)	-	432.528	595.668	-	3.534.717	-	3.534.717
	-	-	-	-	35.659	-	35.659	-	35.659
	-	-	-	-	-	-	-	-	-
	-	-	-	-	35.659	-	35.659	-	35.659
	7.847	(39.405)	-	432.528	631.327	-	3.570.376	-	3.570.376
	7.857	(122.655)	-	-	-	660.926	1.258.133	-	1.258.133
	-	-	-	-	-	-	-	-	-
	-	-	-	-	(400.000)	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

							Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss		
	CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3
	Current Period - 31 December 2019								
I.	Prior Period End Balance		2.800.000	-	-	374	40.908	(349)	809.151
II.	Corrections and Accounting Policy Changes Made According to TAS 8								
2.1	Effects of Errors		-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	40.908	(349)	809.151
IV.	Total Comprehensive Income		-	-	-	-	-	(733)	51.902
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		-	-	-	-	-	-	-
11.1	Dividends Distributed		-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)		2.800.000	-	-	374	40.908	(1.082)	861.053

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 statement

Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
4	5	6						
15.704	(162.060)	-	518.691	696.585	Except from -	-	-	4.719.004
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15.704	(162.060)	-	518.691	696.585	-	4.719.004	-	4.719.004
5.010	190.068	-	-	-	701.645	947.892	-	947.892
-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	696.585	(696.585)	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	696.585	(696.585)	-	-	-	-
-	-	-	-	-	-	-	-	-
20.714	28.008	-	1.215.276	-	701.645	5.666.896	-	5.666.896

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

## UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**

### **INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019**

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

#### **INDEPENDENT AUDITOR'S REPORT**

**To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.**

#### **Audit of Consolidated Financial Statements**

##### **Qualified Opinion**

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

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

##### **Basis for Qualified Opinion**

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

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

##### **Key Audit Matters**

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



Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="289 359 878 421"><b>Related important disclosures about recognition of impairment on financial assets in accordance with TFRS 9</b></p> <p data-bbox="289 441 878 553">As presented in Section 3 disclosure IX the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the impairment of financial assets as a key audit matter since:</p> <ul data-bbox="289 564 878 1351" style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements</li> <li>- There are complex and comprehensive requirements of TFRS 9</li> <li>- The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</li> <li>- The Group determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination</li> <li>- Policies implemented by the Group management include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex</li> </ul>	<p data-bbox="911 441 1455 466">Our audit procedures included among others include:</p> <ul data-bbox="911 476 1511 1659" style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices.</li> <li>- Reviewing and testing of new or structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices</li> <li>- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model</li> <li>- Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements</li> <li>- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments</li> <li>- Auditing of TFRS 9 disclosures</li> </ul>

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

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

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

Yaşar Bivas, SMMM  
Partner

3 February 2020  
İstanbul, Türkiye



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ASSETS	Section 5 Note I	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018 <sup>(*)</sup>		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>3.417.606</b>	<b>3.597.087</b>	<b>7.014.693</b>	<b>3.595.512</b>	<b>3.227.870</b>	<b>6.823.382</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>539.386</b>	<b>1.047.785</b>	<b>1.587.171</b>	<b>616.183</b>	<b>1.507.389</b>	<b>2.123.572</b>
1.1.1 Cash and Balances with Central Bank	(1)	513	803.528	804.041	6.353	736.875	743.228
1.1.2 Banks	(3)	12.973	244.719	257.692	36.469	770.762	807.231
1.1.3 Money Market Placements		526.286	-	526.286	573.613	-	573.613
1.1.4 Expected Credit Losses (-)		386	462	848	252	248	500
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>15.821</b>	<b>263.097</b>	<b>278.918</b>	<b>9.859</b>	<b>290.660</b>	<b>300.519</b>
1.2.1 Government Debt Securities		-	-	-	8	-	8
1.2.2 Equity Instruments		1	-	1	1	-	1
1.2.3 Other Financial Assets		15.820	263.097	278.917	9.850	290.660	300.510
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(4)</b>	<b>2.209.134</b>	<b>1.977.139</b>	<b>4.186.273</b>	<b>2.212.256</b>	<b>1.207.814</b>	<b>3.420.070</b>
1.3.1 Government Debt Securities		2.001.291	1.922.143	3.923.434	2.008.419	1.165.034	3.173.453
1.3.2 Equity Instruments		62.763	53.806	116.569	52.251	41.778	94.029
1.3.3 Other Financial Assets		145.080	1.190	146.270	151.586	1.002	152.588
<b>1.4 Derivative Financial Assets</b>	<b>(2)</b>	<b>653.265</b>	<b>309.066</b>	<b>962.331</b>	<b>757.214</b>	<b>222.007</b>	<b>979.221</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		653.265	309.066	962.331	757.214	222.007	979.221
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>6.757.111</b>	<b>26.586.973</b>	<b>33.344.084</b>	<b>5.716.919</b>	<b>23.989.476</b>	<b>29.706.395</b>
<b>2.1 Loans</b>	<b>(5)</b>	<b>4.750.439</b>	<b>26.766.177</b>	<b>31.516.616</b>	<b>4.083.334</b>	<b>23.851.985</b>	<b>27.935.319</b>
<b>2.2 Lease Receivables</b>	<b>(10)</b>	<b>-</b>	<b>128.874</b>	<b>128.874</b>	<b>-</b>	<b>133.929</b>	<b>133.929</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(6)</b>	<b>2.285.894</b>	<b>299.266</b>	<b>2.585.160</b>	<b>1.735.521</b>	<b>419.420</b>	<b>2.154.941</b>
2.4.1 Government Debt Securities		2.285.894	299.266	2.585.160	1.735.521	419.420	2.154.941
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>279.222</b>	<b>607.344</b>	<b>886.566</b>	<b>101.936</b>	<b>415.858</b>	<b>517.794</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(16)</b>	<b>64.403</b>	<b>-</b>	<b>64.403</b>	<b>1</b>	<b>-</b>	<b>1</b>
3.1 Held for Sale Purpose		64.403	-	64.403	1	-	1
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>473.335</b>	<b>-</b>	<b>473.335</b>	<b>435.915</b>	<b>-</b>	<b>435.915</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(7)</b>	<b>465.976</b>	<b>-</b>	<b>465.976</b>	<b>429.546</b>	<b>-</b>	<b>429.546</b>
4.1.1 Accounted Under Equity Method		464.920	-	464.920	428.490	-	428.490
4.1.2 Unconsolidated Associates		1.056	-	1.056	1.056	-	1.056
<b>4.2 Subsidiaries (Net)</b>	<b>(8)</b>	<b>5.109</b>	<b>-</b>	<b>5.109</b>	<b>4.609</b>	<b>-</b>	<b>4.609</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		5.109	-	5.109	4.609	-	4.609
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>		<b>2.250</b>	<b>-</b>	<b>2.250</b>	<b>1.760</b>	<b>-</b>	<b>1.760</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		2.250	-	2.250	1.760	-	1.760
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>347.206</b>	<b>-</b>	<b>347.206</b>	<b>292.651</b>	<b>-</b>	<b>292.651</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>5.074</b>	<b>-</b>	<b>5.074</b>	<b>4.872</b>	<b>-</b>	<b>4.872</b>
6.1 Goodwill		1.005	-	1.005	1.005	-	1.005
6.2 Other		4.069	-	4.069	3.867	-	3.867
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>273.918</b>	<b>-</b>	<b>273.918</b>	<b>247.793</b>	<b>-</b>	<b>247.793</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>255</b>	<b>-</b>	<b>255</b>	<b>3.575</b>	<b>-</b>	<b>3.575</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(15)</b>	<b>39.930</b>	<b>-</b>	<b>39.930</b>	<b>3.844</b>	<b>-</b>	<b>3.844</b>
<b>X. OTHER ASSETS (Net)</b>	<b>(17)</b>	<b>289.966</b>	<b>400.147</b>	<b>690.113</b>	<b>99.968</b>	<b>651.044</b>	<b>751.012</b>
<b>TOTAL ASSETS</b>		<b>11.668.804</b>	<b>30.584.207</b>	<b>42.253.011</b>	<b>10.401.050</b>	<b>27.868.390</b>	<b>38.269.440</b>

<sup>(\*)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018 <sup>(*)</sup>			
LIABILITIES AND EQUITY		Section 5 Note II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
II.	FUNDS BORROWED	(3)	635.639	25.992.686	26.628.325	127.007	23.692.663	23.819.670
III.	MONEY MARKET BALANCES		535.195	662.172	1.197.367	264.820	137.458	402.278
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	253.918	6.023.450	6.277.368	-	6.949.189	6.949.189
4.1	Bills		108.662	-	108.662	-	-	-
4.2	Assets Backed Securities		145.256	-	145.256	-	-	-
4.3	Bonds		-	6.023.450	6.023.450	-	6.949.189	6.949.189
V.	BORROWER FUNDS		2.494	56.456	58.950	2.408	30.121	32.529
5.1	Borrower Funds		2.494	56.456	58.950	2.408	30.121	32.529
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	277.424	207.410	484.834	442.290	350.050	792.340
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		277.424	207.410	484.834	442.290	350.050	792.340
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	4.913	-	4.913	-	-	-
X.	PROVISIONS	(7)	242.096	22.070	264.166	250.984	10.292	261.276
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		18.095	-	18.095	15.054	-	15.054
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		224.001	22.070	246.071	235.930	10.292	246.222
XI.	CURRENT TAX LIABILITY	(8)	83.358	-	83.358	94.104	-	94.104
XII.	DEFERRED TAX LIABILITY	(8)	-	-	-	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(10)	-	1.830.045	1.830.045	-	1.549.774	1.549.774
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	1.830.045	1.830.045	-	1.549.774	1.549.774
XV.	OTHER LIABILITIES		158.620	86.076	244.696	137.603	46.601	184.204
XVI.	SHAREHOLDERS' EQUITY		5.182.346	(3.357)	5.178.989	4.253.510	(69.434)	4.184.076
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		904	-	904	890	-	890
16.2.1	Share Premium		530	-	530	516	-	516
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		374	-	374	374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		337.134	(147)	336.987	278.614	5.756	284.370
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		75.403	(3.210)	72.193	(64.373)	(75.190)	(139.563)
16.5	Profit Reserves		1.226.589	-	1.226.589	529.059	-	529.059
16.5.1	Legal Reserves		306.633	-	306.633	272.773	-	272.773
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves		841.395	-	841.395	177.725	-	177.725
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		704.226	-	704.226	670.698	-	670.698
16.6.1	Prior Years' Profit/Loss		(26.278)	-	(26.278)	(58)	-	(58)
16.6.2	Current Year Profit/Loss		730.504	-	730.504	670.756	-	670.756
16.7	Non-Controlling Interests		38.090	-	38.090	38.622	-	38.622
TOTAL LIABILITIES AND EQUITY			7.376.003	34.877.008	42.253.011	5.572.726	32.696.714	38.269.440

<sup>(\*)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**
**AS OF 31 DECEMBER 2019**

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

		Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018			
OFF-BALANCE SHEET		Section 5 Note III	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8.650.964	56.620.778	65.271.742	10.490.917	55.046.934	65.537.851
I.	GUARANTEES AND COLLATERALS	(1)	450.734	4.096.982	4.547.716	487.945	2.685.862	3.173.807
1.1	Letters of Guarantee		450.734	1.368.294	1.819.028	487.945	1.095.048	1.582.993
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		450.734	1.368.294	1.819.028	487.945	1.095.048	1.582.993
1.2	Bank Acceptances		-	190.447	190.447	-	-	-
1.2.1	Import Letter of Acceptance		-	190.447	190.447	-	-	-
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.1	Documantery Letters of Credit		-	2.538.241	2.538.241	-	1.590.814	1.590.814
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1)	1.313.799	3.181.266	4.495.065	1.204.053	2.621.343	3.825.396
2.1	Irrevocable Commitments		968.090	336.269	1.304.359	967.278	358.418	1.325.696
2.1.1	Forward Asset Purchase and Sale Commitments		4.506	16.898	21.404	29.356	67.684	97.040
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	96.782	96.782	400	97.405	97.805
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		-	-	-	-	-	-
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		963.584	222.589	1.186.173	937.522	193.329	1.130.851
2.2	Revocable Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.1	Revocable Loan Granting Commitments		345.709	2.844.997	3.190.706	236.775	2.262.925	2.499.700
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	6.886.431	49.342.530	56.228.961	8.798.919	49.739.729	58.538.648
3.1	Derivative Financial Instruments for Hedging Purposes		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.1	Fair Value Hedge		-	16.520.430	16.520.430	-	18.028.129	18.028.129
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		6.886.431	32.822.100	39.708.531	8.798.919	31.711.600	40.510.519
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.715.295	2.672.415	5.387.710	1.819.934	1.981.015	3.800.949
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.359.615	1.335.965	2.695.580	974.149	964.311	1.938.460
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.355.680	1.336.450	2.692.130	845.785	1.016.704	1.862.489

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		<b>Audited Current Period 31 December 2019</b>			<b>Audited Prior Period 31 December 2018</b>		
	<b>Section 5 Note III</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>	<b>TL</b>	<b>FC</b>	<b>Total</b>
<b>OFF-BALANCE SHEET</b>							
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		3.283.114	29.261.907	32.545.021	4.415.005	27.012.656	31.427.661
3.2.2.1 Foreign Currency Swap-Buy		664.611	6.474.510	7.139.121	982.222	6.479.239	7.461.461
3.2.2.2 Foreign Currency Swap-Sell		2.618.503	4.090.143	6.708.646	3.432.783	3.821.411	7.254.194
3.2.2.3 Interest Rate Swap-Buy		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.2.4 Interest Rate Swap-Sell		-	9.348.627	9.348.627	-	8.356.003	8.356.003
3.2.3 Foreign Currency, Interest Rate, and Securities Options		888.022	887.778	1.775.800	2.563.980	2.704.528	5.268.508
3.2.3.1 Foreign Currency Options-Buy		444.061	443.889	887.950	1.281.990	1.352.264	2.634.254
3.2.3.2 Foreign Currency Options-Sell		443.961	443.889	887.850	1.281.990	1.352.264	2.634.254
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	13.401	13.401
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>75.378.722</b>	<b>466.258.507</b>	<b>541.637.229</b>	<b>70.908.800</b>	<b>361.697.865</b>	<b>432.606.665</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2.730.641</b>	<b>688.583</b>	<b>3.419.224</b>	<b>1.476.393</b>	<b>268.838</b>	<b>1.745.231</b>
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		2.136.470	688.583	2.825.053	1.425.034	268.019	1.693.053
4.3 Checks Received for Collection		248	-	248	130	-	130
4.4 Commercial Notes Received for Collection		-	-	-	-	819	819
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		593.923	-	593.923	51.229	-	51.229
<b>V. PLEDGES ITEMS</b>		<b>52.958.989</b>	<b>254.620.688</b>	<b>307.579.677</b>	<b>50.395.754</b>	<b>208.822.385</b>	<b>259.218.139</b>
5.1 Marketable Securities		471.248	13.784.545	14.255.793	484.248	12.637.631	13.121.879
5.2 Guarantee Notes		95.499	3.691.702	3.787.201	72.835	3.180.176	3.253.011
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.805.808	63.849.083	67.654.891	3.232.731	56.825.467	60.058.198
5.6 Other Pledged Items		48.586.434	173.295.358	221.881.792	46.605.940	136.179.111	182.785.051
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>19.689.092</b>	<b>210.949.236</b>	<b>230.638.328</b>	<b>19.036.653</b>	<b>152.606.642</b>	<b>171.643.295</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>84.029.686</b>	<b>522.879.285</b>	<b>606.908.971</b>	<b>81.399.717</b>	<b>416.744.799</b>	<b>498.144.516</b>

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

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AT 31 DECEMBER 2019

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

STATEMENT OF PROFIT OR LOSS		Section 5 Note IV	Audited Current Period 1 January 2019 - 31 December 2019	Audited Prior Period 1 January 2018 - 31 December 2018 <sup>(1)</sup>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>3.313.001</b>	<b>3.110.109</b>
1.1	Interest on Loans		2.260.048	2.133.352
1.2	Interest Received from Reserve Deposits		7.101	10.258
1.3	Interest Received from Banks		60.321	78.878
1.4	Interest Received from Money Market Placements		290.429	107.098
1.5	Interest Received from Marketable Securities Portfolio		670.421	762.490
1.5.1	Fair Value Through Profit or Loss		1.327	1.514
1.5.2	Fair Value Through other Comprehensive Income		442.296	358.776
1.5.3	Measured at Amortized Cost		226.798	402.200
1.6	Finance Lease Income		6.406	6.060
1.7	Other Interest Income		18.275	11.973
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	<b>(2)</b>	<b>1.401.717</b>	<b>1.381.391</b>
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		669.318	581.108
2.3	Interest on Money Market Borrowings		157.818	307.521
2.4	Interest on Securities Issued		565.831	491.351
2.5	Leasing Interest Expense		1.143	-
2.6	Other Interest Expense		7.607	1.411
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1.911.284</b>	<b>1.728.718</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>65.103</b>	<b>51.398</b>
4.1	Fees and Commissions Received		78.154	63.929
4.1.1	Non-cash Loans		24.400	20.932
4.1.2	Other		53.754	42.997
4.2	Fees and Commissions Paid (-)		13.051	12.531
4.2.1	Non-cash Loans		2.916	2.876
4.2.2	Other		10.135	9.655
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>6.754</b>	<b>5.525</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>(4)</b>	<b>(419.123)</b>	<b>(329.200)</b>
6.1	Securities Trading Gains/(Losses)		3.737	2.202
6.2	Derivative Financial Instruments Gains/Losses		(489.078)	(616.348)
6.3	Foreign Exchange Gains/Losses (Net)		66.218	284.946
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>65.550</b>	<b>109.093</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.629.568</b>	<b>1.565.534</b>
<b>IX.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>460.631</b>	<b>532.649</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>156.391</b>	<b>131.246</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>99.017</b>	<b>78.698</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>913.529</b>	<b>822.941</b>
<b>XIV.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>19.944</b>	<b>90.705</b>
<b>XVI.</b>	<b>GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>		<b>933.473</b>	<b>913.646</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>197.332</b>	<b>250.383</b>
18.1	Provision for Current Income Taxes		286.837	147.709
18.2	Deferred Tax Income Effect (+)		193.394	250.149
18.3	Deferred Tax Expense Effect (-)		282.899	147.475
<b>XIX.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>(10)</b>	<b>736.141</b>	<b>663.263</b>
<b>XX.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</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.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</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.</b>	<b>PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</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.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>736.141</b>	<b>663.263</b>
25.1	Group's Profit/Loss		730.504	670.756
25.2	Minority Shares (-)		5.637	(7.493)
	Earning/(loss) per share		0,261	0,240

<sup>(1)</sup> The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019.

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	<b>Audited Current Period 1 January 2019 - 31 December 2019</b>	<b>Audited Prior Period 1 January 2018 - 31 December 2018</b>
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>736.141</b>	<b>663.263</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>264.373</b>	<b>(64.978)</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>52.617</b>	<b>52.250</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	49.105	47.172
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(1.034)	(684)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	4.339	7.639
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	207	(1.877)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>211.756</b>	<b>(117.228)</b>
2.2.1 Foreign Currency Translation Differences	5.010	7.857
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	243.694	(157.047)
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	16.678	(2.431)
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(53.626)	34.393
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>1.000.514</b>	<b>598.285</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

						<b>Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss</b>		
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>Paid-in Capital</b>	<b>Share Premiums</b>	<b>Share Cancellation Profits</b>	<b>Other Capital Reserves</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Prior Period - 31 December 2018</b>								
<b>I. Prior Period End Balance</b>		<b>2.400.000</b>	<b>428</b>	<b>-</b>	<b>374</b>	<b>215.352</b>	<b>(30)</b>	<b>16.798</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>								
2.1 Effects of Errors		-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>2.400.000</b>	<b>428</b>	<b>-</b>	<b>374</b>	<b>215.352</b>	<b>(30)</b>	<b>16.798</b>
<b>IV. Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46.142</b>	<b>(536)</b>	<b>6.644</b>
<b>V. Capital Increase by Cash</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. Capital Increase by Internal Sources</b>		<b>400.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. Effect of Inflation on Paid-in Capital</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. Convertible Bonds to Share</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. Subordinated Debt Instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. Increase/Decrease by Other Changes</b>		<b>-</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XI. Profit Distribution</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Dividends Distributed		-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		<b>2.800.000</b>	<b>516</b>	<b>-</b>	<b>374</b>	<b>261.494</b>	<b>(566)</b>	<b>23.442</b>

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 consolidated financial statements.

Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
			Profit	Prior Period	Current	Total Equity			Total
4	5	6	Reserves	Profit or	Period	Except from	Minority	Minority	Shareholders'
				(Loss)	Profit or	Minority	Interest	Interest	Equity
					(Loss)	Interest			
7.847	(39.404)	(13.879)	441.740	629.396	-	3.658.622	52.719		3.711.341
-	-	23.101	-	(37.176)	-	(14.075)	(87)		(14.162)
-	-	-	-	-	-	-	-		-
-	-	23.101	-	(37.176)	-	(14.075)	(87)		(14.162)
7.847	(39.404)	9.222	441.740	592.220	-	3.644.547	52.632		3.697.179
7.857	(122.654)	(2.431)	-	-	670.756	605.778	(7.493)		598.285
-	-	-	-	-	-	-	-		-
-	-	-	-	(400.000)	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	851	3.695	-	4.634	(6.517)		(1.883)
-	-	-	86.468	(195.973)	-	(109.505)	-		(109.505)
-	-	-	-	(109.865)	-	(109.865)	-		(109.865)
-	-	-	86.468	(86.108)	-	360	-		360
-	-	-	-	-	-	-	-		-
15.704	(162.058)	6.791	529.059	(58)	670.756	4.145.454	38.622		4.184.076

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

							Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss		
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3
Current Period - 31 December 2019									
I.	Prior Period End Balance		2.800.000	516	-	374	261.494	(566)	23.442
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		2.800.000	516	-	374	261.494	(566)	23.442
IV.	Total Comprehensive Income		-	-	-	-	49.105	(827)	4.339
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		-	14	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-
11.1	Dividends Distributed		-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	530	-	374	310.599	(1.393)	27.781

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 consolidated financial statements.

Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
4	5	6						
15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622	4.184.076
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622	4.184.076
5.010	190.068	16.678	-	-	730.504	994.877	5.637	1.000.514
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	133	555	-	702	(6.169)	(5.467)
-	-	-	697.397	(697.531)	-	(134)	-	(134)
-	-	-	-	(134)	-	(134)	-	(134)
-	-	-	697.397	(697.397)	-	-	-	-
-	-	-	-	-	-	-	-	-
20.714	28.010	23.469	1.226.589	(26.278)	730.504	5.140.899	38.090	5.178.989



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		<b>1.125.037</b>	<b>1.679.473</b>
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		2.971.773	2.537.294
1.1.1 Interest Received		(1.250.464)	(1.342.871)
1.1.2 Interest Paid		6.754	5.525
1.1.3 Dividends Received		78.154	63.929
1.1.4 Fees and Commissions Received		80.871	78.663
1.1.5 Other Income		85.017	9.100
1.1.6 Collections from Previously Written off Loans		(182.369)	(155.153)
1.1.7 Payments to Personnel and Service Suppliers		(288.619)	(104.310)
1.1.8 Taxes Paid		(376.080)	587.296
1.1.9 Others			
		<b>683.347</b>	<b>(1.723.950)</b>
<b>1.2 Changes in Operating Assets and Liabilities</b>		(5.157)	(1.541)
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		-	1.204.032
1.2.3 Net (Increase) (Decrease) in Loans		310.064	(392.290)
1.2.4 Net (Increase) (Decrease) in Other Assets		120.049	-
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		(319.292)	(1.621.868)
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		-	-
1.2.9 Net (Increase) (Decrease) in Matured Payable		577.683	(912.283)
1.2.10 Net (Increase) (Decrease) in Other Liabilities			
		<b>1.808.384</b>	<b>(44.477)</b>
<b>I. Net Cash Provided by/(used in) Banking Operations</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(521.520)</b>	<b>(328.661)</b>
<b>II. Net Cash Provided by/(used in) Investing Activities</b>		(990)	(3.000)
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		(9.698)	(4.924)
2.3 Purchases of Property and Equipment		5.592	94
2.4 Disposals of Property and Equipment		(1.048.151)	(680.955)
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		772.368	590.195
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		(433.812)	(227.528)
2.7 Purchase of Financial Assets Measured at Amortized Cost		195.251	-
2.8 Sale of Financial Assets Measured at Amortized Cost		(2.080)	(2.543)
2.9 Others			
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided by/(used in) Financing Activities</b>		<b>(1.897.241)</b>	<b>1.208.745</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		108.662	1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.004.016)	-
3.3 Capital Increase		-	-
3.4 Dividends Paid		(134)	(109.865)
3.5 Payments for Leases		(1.753)	-
3.6 Other		-	20
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>4.354</b>	<b>45.970</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(606.023)</b>	<b>881.577</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>1.385.825</b>	<b>504.248</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>779.802</b>	<b>1.385.825</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		<b>Audited Current Period 31 December 2019</b>	<b>Audited Prior Period 31 December 2018 <sup>(1)</sup></b>
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME <sup>(2)</sup></b>		
1.1	CURRENT YEAR INCOME	894.227	909.263
1.2	TAXES AND DUTIES PAYABLE	192.582	248.337
1.2.1	Corporate Tax (Income tax)	280.993	146.335
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties <sup>(3)</sup>	(88.411)	102.002
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>701.645</b>	<b>660.926</b>
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	33.046
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>701.645</b>	<b>627.880</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (pre-emptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of preferred shares	-	-
1.9.3	To owners of preferred shares (pre-emptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	GENERAL RESERVES	-	627.880
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</b>
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (pre-emptive rights)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE <sup>(2)</sup></b>		
3.1	TO OWNERS OF ORDINARY SHARES	0,26	0,24
3.2	TO OWNERS OF ORDINARY SHARES (%)	25,06	23,60
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

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

<sup>(3)</sup> The current amount is deferred tax expense and the prior amount is deferred tax income.

<sup>(4)</sup> According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements is belong to the Parent Bank.

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

GRI INDEX

## GRI INDEX

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 101: FOUNDATION 2016</b>		
<b>GRI 102: GENERAL DISCLOSURES</b>		
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	<b>ORGANIZATIONAL PROFILE</b>	
	102-1	Türkiye Sinai Kalkınma Bankası A.Ş.
	102-2	Page: 9
	102-3	Headquarters Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul
	102-4	Turkey
		Page: 4
	102-5	<a href="http://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association">http://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association</a>
	102-6	TSKB's business area is Turkey.
	102-7	Page: 4, 8
	102-8	Page: 66, 67, 68
	102-9	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	102-10	There were no significant changes during the reporting period.
	102-11	Page: 123-125
	102-12	Page: 73-74
	102-13	Page: 73-74
	<b>STRATEGY</b>	
	102-14	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	102-15	Page: 73-74
	<b>ETHICS AND INTEGRITY</b>	
	102-16	<a href="http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	102-17	<a href="http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies">http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies</a>
	<b>GOVERNANCE</b>	
	102-18	Page: 106-111
	102-19	Page: 71-72
	102-20	Page: 71-72
	102-21	Page: 71-72
	102-22	Page: 106-111 <a href="http://www.tskb.com.tr/en/investor-relations/bank-information/board-of-directors-senior-management">http://www.tskb.com.tr/en/investor-relations/bank-information/board-of-directors-senior-management</a> <a href="http://www.tskb.com.tr/en/investor-relations/bank-information/committees">http://www.tskb.com.tr/en/investor-relations/bank-information/committees</a>
	102-23	The Chairman of the Board of Directors has no executive duty.
	102-24	Regarding the minimum qualities to be sought in appointments to Board Member, the Bank acts in accordance with the provisions of Banking legislation, Turkish Commerce Code and the regulations of Capital Markets Board.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	102-25	Page: 116, 119 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf</a>
	102-26	Page: 116, 119
	102-27	Page: 116, 119
	102-28	Page: 116, 119
	102-29	Page: 116, 119
	102-30	Page: 116, 119
	102-31	Page: 116, 119
	102-32	Page: 71-73
	102-33	Page: 116, 119
	102-34	Page: 116, 119
	102-35	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-36	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-37	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-38	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	102-39	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf</a>
	<b>STAKEHOLDER ENGAGEMENT</b>	
	102-40	Page: 24
	102-41	There is no collective bargaining application in TSKB.
	102-42	Page: 24-26
	102-43	Page: 24-26
	102-44	Page: 24-26
	<b>REPORTING PRACTICE</b>	
	102-45	The report is prepared on unconsolidated basis. The activities of TSKB's subsidiaries are not included.
	102-46	Page: 1
	102-47	Page: 24-29
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2019-31.12.2019
	102-51	2018
	102-52	Annual
	102-53	Ms. Özen Çaylı Tel: +90 212 334 52 49 Özen Çaylı <HALILOGLUO@tskb.com.tr>
	102-54	This report is prepared in accordance with GRI Standards-Core option.
	102-55	Page: 473
	102-56	Page: 132-139



GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 200: ECONOMIC STANDARD SERIES</b>		
	<b>ECONOMIC PERFORMANCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	Page: 6-8
	201-2	Page: 77-82
	201-3	Page: 185-186
	201-4	There is no financial assistance received from government during the reporting period.
	<b>MARKET PRESENCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 202: MARKET PRESENCE 2016</b>	202-1	In TSKB, the standard entry level wage of all employees is above the local minimum wage.
	202-2	All members of TSKB senior management are Turkish Republic citizens.
	<b>INDIRECT ECONOMIC IMPACTS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	203-1	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	203-2	Page: 6-7

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	<b>PROCUREMENT PRACTICES</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
<b>GRI 204: PROCUREMENT PRACTICES 2016</b>	204-1	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	<b>ANTI-CORRUPTION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
<b>GRI 205: ANTI-CORRUPTION 2016</b>	205-1	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf</a>
		Page: 123-125
	205-3	There are no confirmed incidents of corruption during the reporting period.
	<b>ANTI-COMPETITIVE BEHAVIOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016</b>	206-1	There are no legal actions for anti-competitive behavior, anti-trust, and monopoly practices during the reporting period.
<b>GRI 300: ENVIRONMENTAL STANDARD SERIES</b>		
	<b>ENERGY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 302: ENERGY 2016</b>	302-1	Page: 78-79
	302-2	Page: 78-79
	302-3	Page: 78-79
	302-4	Page: 78-79

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	<b>WATER</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 303: WATER 2016</b>	303-1	Page: 78-79
	303-2	There are no water sources significantly affected by withdrawal of water.
	303-3	Page: 78-79
	<b>EMISSIONS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 305: EMISSIONS 2016</b>	305-1	Page: 78-79
	305-2	Page: 78-79
	305-3	Page: 78-79
	305-4	Page: 78-79
	305-5	Page: 78-79
	<b>EFFLUENTS AND WASTE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>	306-1	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-2	Page: 78-79
	306-3	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-4	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-5	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	<b>ENVIRONMENTAL COMPLIANCE</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf</a>
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	307-1	There are no significant fines or sanctions in the reporting period.
	<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27 <a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
	103-2	TSKB works closely with its suppliers in order to manage the environmental and social impact of its supply chain operations. Suppliers are supported in their efforts to improve their own environmental and social sustainability performance. Such matters will be dealt with as called for in TSKB's Sustainable Procurements Management Policy.
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf</a>
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</b>	308-1	Although the suppliers are expected to pay attention to their environmental impact, there are no suppliers that were screened using environmental criteria.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 400: SOCIAL STANDARD SERIES</b>		
	<b>EMPLOYMENT</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 401: EMPLOYMENT 2016</b>	401-1	Total number of new employees hired in 2019 is 47. Page: 64
	401-2	All TSKB employees are working on full-time basis.
	<b>LABOR/MANAGEMENT RELATIONS</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 402: LABOR/ MANAGEMENT RELATIONS 2016</b>	402-1	TSKB is fully compliant with current laws and regulations about this subject in Turkey.
	<b>OCCUPATIONAL HEALTH AND SAFETY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf</a>
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>	403-2	There are no injury, occupational diseases, lost days, and absenteeism, and work-related fatalities during the reporting period.
	403-3	As per the nature of its activities, TSKB's employees are not subject to high risk of injury or occupational diseases.
	<b>TRAINING AND EDUCATION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1	Page: 65-68
	404-2	Page: 65-68
	<b>DIVERSITY AND EQUAL OPPORTUNITY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
		<a href="http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a>
		<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>



GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1	Page: 65-68
	405-2	There is no gender-based wage discrimination in TSKB.
	<b>NON-DISCRIMINATION</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf</a>
	103-3	Page: 61-68
		<a href="http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy">http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy</a> <a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 406: NON-DISCRIMINATION 2016</b>	406-1	There are no incidents of discrimination during the reporting period.
	<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 61-68
	103-3	Page: 61-68
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	407-1	TSKB respects the right of collective bargaining. During the reporting period, TSKB had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights.
	<b>CHILD LABOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 408: CHILD LABOR 2016</b>	408-1	TSKB does not employ child labor in any way. TSKB expects all of its suppliers comply with age restrictions mentioned on related laws and regulations.
	<b>FORCED OR COMPULSORY LABOR</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 409: FORCED OR COMPULSORY LABOR 2016</b>	409-1	There are no activities and operations at TSKB with significant risk for incidents of forced or compulsory labor. TSKB expects all of its suppliers do not employ forced or compulsory labor in any case.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	<b>HUMAN RIGHTS ASSESSMENT</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf">http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf</a>
<b>GRI 412: HUMAN RIGHTS ASSESSMENT 2016</b>	412-1	None.
	<b>CUSTOMER PRIVACY</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB Principles of Banking Ethics(1).pdf</a>
	103-3	<a href="http://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf">http://www.tskb.com.tr/i/assets/document/pdf/TBB Principles of Banking Ethics(1).pdf</a>
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	418-1	There are no complaints concerning breaches of customer privacy and losses of customer data.
<b>FINANCIAL SECTOR SUPPLEMENT</b>		
	<b>PRODUCT PORTFOLIO</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS6	Page: 39-43, 48-52
	FS7	Page: 39-43, 48-52
	FS8	Page: 39-43, 48-52
	<b>ACTIVE OWNERSHIP</b>	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Page: 25-27
	103-2	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
	103-3	Page: 14-15 / Chairman's Message Page: 16-19 / CEO's Assessment
<b>FINANCIAL SECTOR SUPPLEMENT</b>	FS10	Page: 39-43, 48-52
	FS11	Page: 39-43, 48-52

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